



MAJESTIC  
GARDENS  
ESTATE



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## HOW THE EXIT FEE WORKS

The exit fee can be somewhat difficult to comprehend as there are many variations amongst the retirement villages today, all legitimate but all very different. It is very important to understand this key element before you invest into a retirement village. We recommend you have a full understanding of the exit fees and how they work prior to investing into your new home.

Research shows in many villages that an immediate loss occurs the day you sign up. Some exit fees are lower than others, and there are some that don't have exit fees at all but have a higher upfront ingoing contribution. (I.e. the purchase price). Some villages offer a percentage of capital gains, others don't offer any at all.

At Majestic Gardens Estate, the exit fee is calculated at 5% over a maximum of 7 years totalling 35% which is deducted on the overall re-sale price of the unit. However, Majestic Gardens Estate is unique in offering a full 100% on the capital growth to the owner. These are some of the various options for retirement villages:

1. No capital gains
2. 50% capital gains
3. 100% capital gains

Let me give you a brief example of what each of these look like

1. **No capital gains.** "Ingoing Contribution" \$450,000. Let's say the exit fee terms are 7 years x 5%. The property is sold at the end of 10 years for \$730,000. The exit fee is 35% x \$450,000 = \$157,500. You would receive back a total of \$292,500.
2. **50% capital gains.** "Ingoing Contribution" \$450,000. Let's say the exit fee terms are 7 years x 5%. The property is sold at the end of 10 years for \$730,000. The capital gain is \$140,000 or 50%. The exit fee is 35% x \$590,000 = \$206,500. You would receive back a total of \$383,500.
3. **100% capital gains.** "Ingoing Contribution" \$450,000. Let's say the exit fee terms are 7 years x 5%. The property is sold at the end of 10 years for \$730,000. The capital gain is \$280,000 or 100%. The exit fee is 35% x \$730,000 = \$255,500. You would receive back a total of \$474,500.

The example further explained:

Purchase price is \$450,000

After 10 years, if you were to sell the property, given an average of capital growth being 5% per annum, you would re-sell the property for approx. \$730,000.

The exit fee would be maximised out at 35% x \$730,000 = \$255,500. You would be left with \$474,500.

In general this method allows you to keep your initial ingoing contribution intact. Obviously there are variations to this equation where capital growth can vary, however the greatest advantage is maintaining 100% of the capital gains.

Another example in our sister retirement village, Hopelands Estate, Wallsend, is as follows:

Purchase price was \$345,000.

Re-sale price will be approx \$580,000.

Exit fee will be 35% x \$580,000 = \$203,000.

The return for the owner on the unit will be \$377,000.

This 100% capital gain keeps the initial purchase price intact.



HOPELANDS ESTATE 33 NEILSON STREET WALLSEND NSW

Disclaimer: please be aware the examples given are the understanding of Majestic Gardens Estate Pty Ltd and it is recommended the potential purchasers need to seek professional legal advice prior to entering into any agreements.