

Life rights vs ownership in retirement villages

By Margaret McCullough

There are various retirement villages which have developed over recent years. Some retirement villages offer outright ownership of one's unit and the usual complex rules apply in that a body corporate is established and is responsible for the common property of the complex, and for the maintenance of the outside of the units.

The owner of the unit can obtain a bond from the bank to purchase the unit, and on sale of the unit, the owner, or his estate, received the full proceeds of the sale of the unit, less estate agent's commission, if the sale is not a private one.

With a life right, the purchaser of a life right becomes a life right holder but does not own property. He has the right to live in the unit for his lifetime, or until he sells his life right, whichever occurs first and on the sale of his life right, or his death, his life right has a value which can be sold.

The manner in which life rights are regulated vary, but the essence of a life right is that the life right holder does not get back the entire proceeds of the sale of the property, however is obliged to pay a portion of the selling price to the owner of the property. Life rights cannot be bonded, and accordingly to purchase a life right, you must have sufficient monies available to pay for the life right.



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A brief table of the pros and cons of each type of arrangement is set out:

Outright Ownership	
<p>Pros</p> <p>The property belongs to you, and subject to the rules of the body corporate, you can deal with the property as you wish.</p> <p>The property can be bonded.</p>	<p>Cons</p> <p>On sale of the property, transfer of ownership must be registered in the Deeds Office.</p>

Life Rights	
<p>Pros</p> <p>Transfer of ownership is not registered in the Deeds Office as the holder of the life right is not an owner. There is a saving on costs, and time, as a result. The life right usually extends to the death of a surviving spouse, in the case of married couples, giving rise to greater simplicity and cost saving on the death of the first dying spouse as no change of ownership is required.</p>	<p>Cons</p> <p>The property cannot be bonded.</p> <p>A predetermined sum calculated on the selling price of the unit is payable to the owner of the property upon sale of the life right as payment for the life right</p>



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Which is best – outright ownership or a life right? Ultimately it is up to the individual to make an election based on what suits him/her best. It is easier for an individual to make an election if he/she fully understands the difference between outright ownership and a life right, bearing in mind that for an individual to elect to purchase a life right, he/she must have the funds available to do so.

Should you have any questions, please do not hesitate to contact Margaret on 033-8459700 or by email: mandik@jleslie.co.za



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