

**NATIONAL
NETWORK
OF LOCAL
EXPERTS**



The Life Annuity Guide

Everything you need to understand life annuities

with complete peace of mind !



Summary of the life annuity guide

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Who are we?

Founded by Vincent Gibelin in 2019, **Univers Viager** is a **national network** of around twenty real estate agencies **specializing in life annuities**. Our head office is located in downtown Bordeaux, at 58 Rue Fondaudège.

We have a decidedly **modern, attractive, and socially responsible** approach to this type of sale.

With our **recognized expertise**, our specialists provide transparent support for **your life projects**, whether you are a **seller** or a **buyer**.

We **listen carefully** to your needs and work with care to offer you **personalized support**.



Why choose life annuities?

Vincent Gibelin has been a **life annuity expert** for **over 15 years**. He discovered **life annuities** during a career change.

He was drawn to the **human aspects** and the strong growth potential of this market. Indeed, for him, life annuities offer a **genuine solution to the challenges faced by seniors** and a **profitable and secure investment option for investors**.

For several years now, he has been developing the **Univers Viager** brand, a network of real estate agencies **specializing in life annuities** throughout France, thus providing a **truly local service**.

Vincent GIBELIN
Founding Director
Univers Viager



Welcome to the world of life annuities !

This comprehensive guide will help you better understand **how life annuities work**, explained by our **life annuity experts**.

A life annuity is a **complex transaction** due to its **legal, financial, and tax implications**. It is essential to have **expert guidance** for this type of project.



Definition of a Life Annuity

WHAT IS A LIFE ANNUITY TRANSACTION ?

A life annuity is a **specific type of sale** that allows a **seller**, known as the "annuitant," to **convert their real estate assets into cash in the form of a lifetime annuity**. The **buyer**, known as the "debtor," **makes an investment in real estate**, with the **purchase price paid in installments over time**.

DID YOU KNOW ?

This is **considered a contingent contract** under Article 1964 of the French Civil Code. It is one of the few contracts in which one enters into the contract **without knowing its duration !**

FOR THE SELLER :



To sell, you must **own your property and have full legal capacity**.

In the case of a **life annuity sale**, the **seller** will receive **supplemental income for life**, paid **monthly** in the form of an **annuity** (with or without a lump sum payment).

There are **two possible arrangements** : an **occupied life annuity** (the seller retains the right to use and occupy the property) and a **vacant life annuity** (the seller lives elsewhere).

FOR THE BUYER :



In the case of a **life annuity sale**, the **buyer becomes the owner** of a property.

They pay the price in the form of a **lump sum payment on the day the deed is signed** and a **monthly annuity paid to the seller for life**.

In the case of an **occupied life annuity**, the buyer benefits from a **reduction in the property's value due to the seller's continued occupancy**. This reduction can be claimed upon the seller's **relinquishment of occupancy** or upon their death.

In the case of a **vacant life annuity** (where the seller does not occupy the property), the buyer can **occupy the property** or **rent it out** immediately upon signing the deed at the notary's office.

Life Annuity Market in France

THE LIFE ANNUITY MARKET REPRESENTS APPROXIMATELY 1% OF ALL EXISTING PROPERTY TRANSACTIONS

This rapidly developing market, with sustained growth of around 5% per year for the past 10 years, is also driven by several specific factors :

- ✓ **Economic** : declining pension levels, decreased purchasing power...
- ✓ **Demographic** : increasing number of seniors and longer life expectancy...
- ✓ **Social** : geographical dispersal of families, search for meaningful investments...



SELLER PROFILE :



Sellers are generally **between 65 and 90 years old**. Different profiles :

→ **Without children :**

They sell to benefit from **their assets themselves**.

→ **With children :**

- Children encourage parents to sell because they are financially **better off than their parents**.
- Parents sell because they are **estranged from their children**.
- Blended families **anticipating difficult inheritances**.

The seller often has three objectives when selling a property as a life annuity :

1. To remain living in their home as long as possible.
2. To receive **supplemental income for life**
3. To enjoy a peaceful retirement

BUYER PROFILE :



There are two types of buyers:

→ **Individuals :**

They are mostly **between 35 and 55 years old**.

Often, they already **own their primary residence** and are looking to make **another investment**.

These **investors put their money** into buying real estate and **give meaning to their project**. They know that thanks to them, sellers will benefit from a **better quality of life at the end of their lives**.

Acquiring a property through a life annuity is often compared to a **rental investment**, but **without the worries of tenant turnover, unpaid rent, taxes, etc**. It is actually a profitable and **worry-free investment**.

→ **Investment funds :**

They buy **life annuities in large numbers** and provide an annual return to investors. This is called a **pooled life annuity**.

Different Types of Sale



→ OCCUPIED LIFE ANNUITY :

The **seller retains the right to use the property** until they move out (to a retirement home, to live with their children, etc.) or until their death.

In exchange for the sale (after deducting the value of the occupancy), they receive a **lump sum payment** (known as the "bouquet") as well as a **monthly annuity for life**.



→ VACANT LIFE ANNUITY :

The property is **either vacant or occupied by a tenant**. The seller sells the property as a life annuity and receives the value of their property as a **lump sum payment** (known as the "bouquet") and a **monthly annuity for life**.

The buyer has the right to live in the property or rent it out as soon as the deed is signed at the notary's office. If the property is rented, they will receive the rental income.



→ DEFERRED OCCUPANCY SALE :

The seller retains the right to use the property for a **predetermined period** or until their death.

In return (after deducting the value of the occupancy), they receive a **lump sum payment** on the day the deed is signed before the notary, followed by **monthly installments** with a **fixed repayment schedule**. The repayment period is **guaranteed**.



→ FREEHOLD DEFERRED SALE :

The property is **vacant or occupied by a tenant**. The **seller** receives a **lump sum payment** on the day the deed is signed at the notary's office, followed by **monthly payments** for a **limited period**. The buyer has the right **to live in the property or rent it out**. If the property is rented, the buyer will collect the rental income.



→ BARE OWNERSHIP :

The seller **retains the usufruct of the property**. They have the option to live in it (usus) or rent it out (fructus). The buyer purchases the **bare ownership** (abusus) and benefits from a **discount on the property's value** due to the **seller retaining the usufruct**. Payment can be made as a **single lump sum**, as a life annuity with an **initial lump sum payment and subsequent monthly payments**, or as a deferred sale with a **lump sum payment and subsequent monthly installments**.







→ SALE WITH RESERVATION OF THE RIGHT OF USE AND HABITATION :


The seller retains the right to **live in the property** for the rest of their life; this is a personal right, and they may not rent the property. **Payment of the price** is made as a **single lump sum** on the day the deed is signed.

The advantages of selling with a life annuity held in occupancy

FOR SELLERS :

 Stay live at home	 increase your Purchasing Power
 Enjoy during retirement	 manage your assets while you're still living

FOR BUYERS :

 Investment Socially Responsible	 Benefit from a Discount on the Property Value
 Avoid rental properties	 Avoid the Bank Market

→ EVEN + BENEFITS FOR THE SELLER :

- ✓ **Continue to live in your home** for the rest of your life, without changing your habits.
- ✓ **Obtain immediate and completely tax-free capital**
- ✓ Secure **additional income**, guaranteed and increased annually, with a monthly annuity for life
- ✓ Protect your spouse with a **100% reversible annuity** for the surviving spouse, with no reduction.
- ✓ **Reduce your expenses**, property tax, and major repairs (which are the buyer's responsibility).
- ✓ **Plan your estate** and make a gift to your children or grandchildren

→ EVEN + ADVANTAGES FOR THE BUYER :

- ✓ **Grow your real estate portfolio** according to your financial means and prepare for retirement
- ✓ Acquire real estate by **staggering payments**, often without needing to use a bank loan
- ✓ Benefit from a **discount on the property's value** due to the seller's continued occupancy
- ✓ **Avoid all the hassles** associated with rental investment: tenant turnover, unpaid rent, taxes, etc
- ✓ Be able to resell your life annuity contract at any time
- ✓ **Give meaning** to your investment: the seller will be able to better enjoy their retirement
- ✓ Benefit from reduced **acquisition costs**

Some specific terms

→ ANNUITER :

In a life annuity sale, the **annuitant** is the **seller**.

They receive the monthly life annuity payments from the buyer.



→ ANNUITY DEBTOR :

In a life annuity sale, the annuity **debtor** is the **buyer**.

They are responsible for paying the life annuity, which they pay monthly to the seller



→ THE LUMP SUM :

This is a portion of the sale price corresponding to the sum paid in cash to the seller on the day the deed is signed before the notary.

The **lump sum** is freely agreed upon by the parties. It is not mandatory.

→ THE ANNUITY :

A **life annuity** is a fixed sum of money received monthly by the **seller** until their death. According to Article 1976 of the French Civil Code, its amount is freely determined by the parties.

It is **calculated based on one or two lives**, depending on the age, sex, and number of sellers.

Theoretically, it is possible to sell a property as a life annuity at any age, but in practice, this type of sale is generally aimed at people over 60, with an average age of 75.

→ INDEXATION :

In the context of a life annuity, the **annuity** is generally **indexed to the INSEE's consumer price index for urban households excluding tobacco**, nationwide.

The aim is to preserve the seller's purchasing power throughout the life annuity period. The parties are free to choose a different index between themselves.

In the context of an **installment sale**, indexation is generally based on the **INSEE's rent reference index (IRL)**.

Right of Use and Habitation

This is a **personal right** granted to the seller.

It allows them to remain in **the property** for the rest of their life if they so wish. All occupied life annuities are sold with this **right of use and habitation**. It can be granted to one or two people.

The **seller** may not sell or transfer this right, even free of charge. However, they may waive this right at any time during the term of the life annuity.

Early Release of an Occupied Property

This involves **planning** for what will happen **if the seller one day wishes to move elsewhere** or is required to move into a retirement home.

In this case, **with the property free of any occupancy, the buyer** can move in or rent it out. In **return** for this release of the property, **the rent will be increased** according to a percentage defined in the deed of sale.

Allocation of expenses and maintenance for an occupied property

The **allocation of expenses** must be stipulated in the contract. There are no set rules in this regard. This **allocation is agreed upon by the parties**. Generally, it usually includes :

FOR THE SELLER :



They will bear all costs related to :

- **Usage and utilities** (water, gas, electricity, garbage collection tax, etc.)
- **Routine maintenance** of the property
- The **tenant's share of condominium fees** (if the property is in a condominium),
- **Property insurance as the occupant**

FOR THE BUYER :



The buyer will be responsible for :

- **Property tax**
- **Major structural repairs** (Article 606 of the Civil Code)
- The owner's share of **condominium fees** (if the property is in a condominium)
- **Property insurance as a non-occupying owner**

Seller's Guarantees

Selling a property as a life annuity requires ensuring that you have **solid guarantees** for the **entire duration of the contract**. Therefore, before committing, it is essential to verify the presence of the following two clauses in the **deed** :

→ THE SELLER'S SPECIAL LEGAL MORTGAGE :

This is a **guarantee** taken in **favor of the seller on the property** (which will be owned by the buyer). This mortgage will be **registered with the land registry** through the notary and **gives the seller priority** (over any other potential creditors of the buyer) to **seize the property**. It is a **legal security**.



→ RESOLUTIONARY ACTION :

This is an **action to cancel the sale initiated** by the seller **in the event of non-payment of an annuity installment or a monthly payment** by the buyer. Certain formalities must be observed, including sending a formal demand for payment. If this demand remains unpaid after one month, the next step can be taken.

The seller can then consult a lawyer, who will in turn petition a judge of the Judicial Court to **rescind the sale**.

This is an **automatic cancellation**. The **seller** will regain **full ownership of the property** and **retain the outstanding annuity payments and the initial lump sum payment** received as compensation.



Taxation

There is **no tax** on the portion of the **price paid upfront** (the initial lump sum). **Life annuities purchased for valuable consideration** are considered **income** and are therefore **taxable**. However, they benefit from a **significant allowance**, which is determined **based on the seller's age** at the time the contract is established.

On the date of the first payment, **the taxable portion of the annuity** is calculated as follows :

If you are under 50 70 %	If you are between 50 and 59 years old 50 %
If you are between 60 and 69 years old 40 %	If you are over 69 30 %

It should also be remembered that this **taxable portion** is first subject to **social security contributions**. There is **no tax** on the initial deposit or monthly payments in the context of an **installment sale**.

The reversibility of the annuity

When the annuity is **paid to two annuitants**, it is generally 100% reversible. This means that **it is paid in full to the surviving annuitant until their death**.

Reselling the life annuity

It is possible to **resell** a life annuity. Most resales involve buyers who change their plans and wish to **recover** the invested funds for other purposes.

Reselling involves the **first buyer reselling the contract** they signed with the seller to a second buyer.

The **second buyer** becomes the **new owner**, pays future annuity payments to the annuitant, and pays a lump sum to the first buyer in exchange for repurchasing the life annuity.

Acquisition Costs

These are added to the purchase price of the property and consist of :

- ✓ Taxes and duties paid to **the Treasury**
- ✓ **Fees** and **disbursements** incurred by the notary to compensate the various parties responsible for providing the necessary documents for the sale
- ✓ The notary's **fees**.

Payment of these costs is the responsibility of the **buyer**.

If it is a **vacant life annuity**, the costs are calculated on the **market value** of the property.

If it is an **occupied** life annuity, the costs are calculated on the **market value** of the property less the right of use and habitation, which is retained by the seller. The same applies to a sale with **reservation of the right of use and habitation**.

If it is a **sale on credit**, the fees are calculated on the sum made up of the **initial capital** paid and the scheduled **monthly payments**.



How to calculate a life annuity ?

The sale price (**down payment + annuity**) of a property sold as a life annuity is complex; several parameters must be taken into account :

- ✓ The **market value**, which is the estimated value of the property on the market on the day of the sale
- ✓ The **age, gender, and number** of sellers
- ✓ The existence or absence of a **right of occupancy**.

→ **FOR A VACANT LIFE ANNUITY, THE CALCULATION IS SIMPLE :**



$$\text{MARKET VALUE OF THE PROPERTY} = \text{LUMP SUM} + \text{MONTHLY PAYMENTS}$$

By adding the amount of the **annual annuity multiplied by the seller's** life expectancy in years **+** **the amount of the lump sum payment**, we arrive at the market value of the property. The seller can receive more than the property's value if they exceed their life expectancy. The buyer can pay **less** than the property's value if the seller does not reach their life expectancy.

→ **FOR OCCUPIED LIFE ANNUITY :**

The difference with a vacant life annuity is the **seller's continued occupancy of the property** until the end of their life. This is a personal right : **the right of use and habitation (DUH)**.

OCCUPATION VALUE

= what is retained by the seller



VALUE OF PROPERTY SOLD

= initial payment + annuities

MARKET VALUE OF THE PROPERTY

RIGHT OF USE

BOUQUET

MONTHLY ANNUITIES

By adding : **the annual annuity X the number of years of life expectancy of the seller + the initial payment + the value of the right of use and habitation**, we find **the market value of the property**.

The advantages of selling a property with a freehold life annuity

FOR SALES PEOPLE :

 Lifelong supplemental income	 Guarantees on the payment of the annuity
 Favorable tax treatment	 No more charges or rental management

FOR BUYERS :

 Progressive payment of the price	 Immediate occupancy : live in or rent out the property,
 Avoid the cost associated with a bank loan	 Possibility of immediate rental income

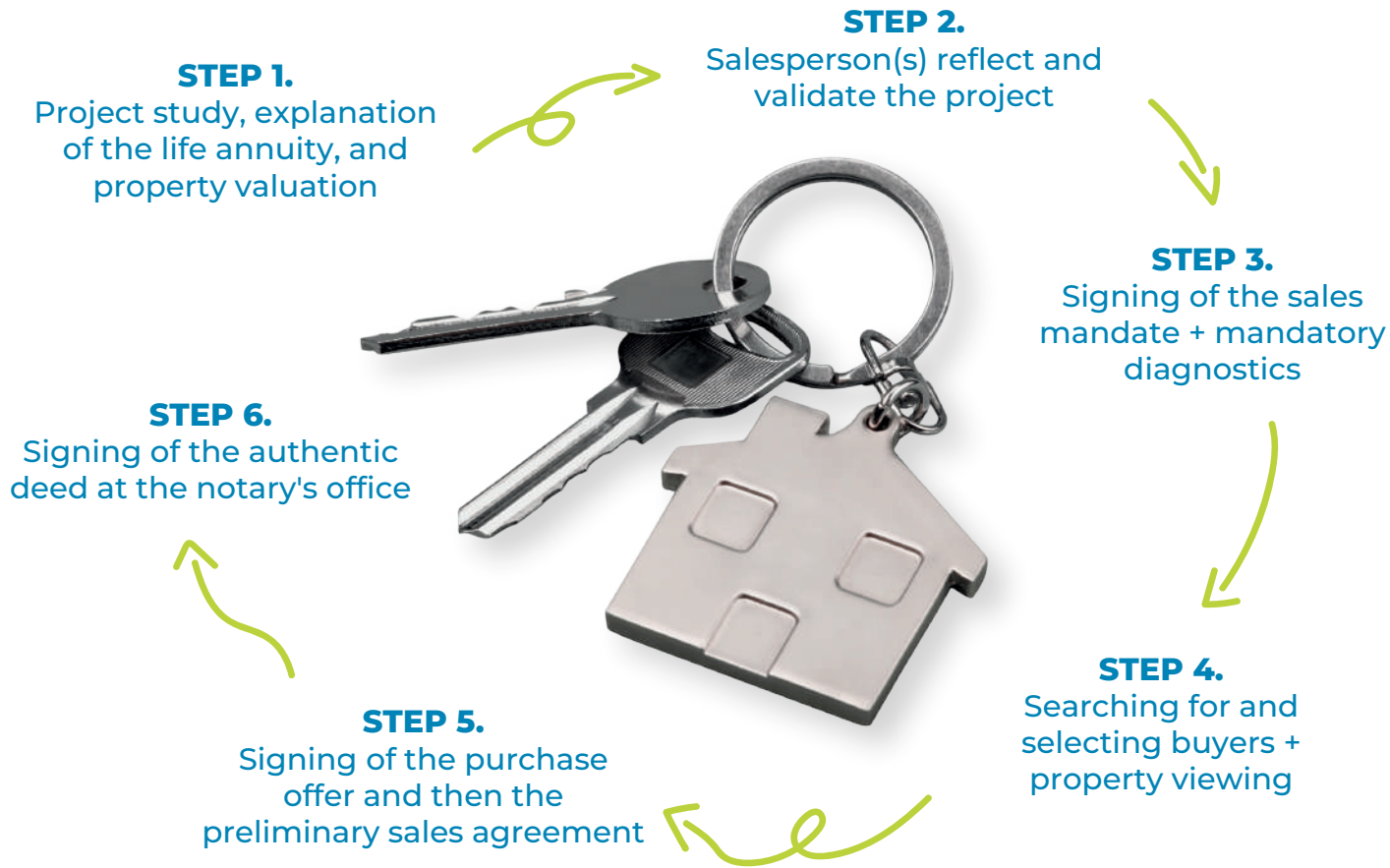
→ EVEN + ADVANTAGES FOR THE SELLER :

- ✓ Obtain **immediate fully tax-free capital**
- ✓ Benefit from **guaranteed and increasing lifetime** income through a life annuity
- ✓ Protect your spouse with a **100% reversible annuity without reduction** for the surviving spouse
- ✓ **Enjoy your retirement** thanks to increased purchasing power
- ✓ **Help your loved ones** finance projects
- ✓ Option **to sell a tenanted property as a life annuity**

→ EVEN + ADVANTAGES FOR THE BUYER :

- ✓ **Immediate enjoyment of the property**; they can occupy it or rent it out as soon as the deed of sale is signed at the notary's office
- ✓ **Grow your real estate portfolio** according to your **financial means** without needing to access the banking market
- ✓ **Spread the payment** of the property price over time
- ✓ No need to borrow to buy = **savings on bank fees**

The stages of the sale



Univers Viager's Expertise

We have a decidedly **modern** vision of this type of sale. It's an **attractive** and **mutually** beneficial solution for **both parties**.

Our approach is first and foremost **human** and **caring**; we listen carefully to explain everything and put your mind at ease.

Each of our agencies will provide you with **local service**, **enthusiastically** and **clearly** guiding you before, during, and after the sale.

And after the sale ?

After the sale, we **continue** to support you with our **customized life annuity management service**.

More information about our **management service** can be found on **page 14**.



From our sellers' perspective ?



Life annuity : a newfound freedom !

*“Selling my property as a life annuity was a way for me to **stay in my home** while **improving my daily life**. Thanks to this solution, I no longer have to worry about making ends meet and I can finally **enjoy my retirement peacefully**.”*

*But beyond the financial aspect, I was pleasantly surprised to meet an **attentive and respectful buyer**. A **true relationship** of trust developed between us. A life annuity is so much more than just a sale!”*

— Madeleine, 78 years old – Lyon



A modern and humane solution.

*“I was afraid that a life annuity would be a complicated or outdated process, but it's quite the opposite! I was **supported at every step**, with **kindness and professionalism**. Today, I feel **secure in my home**, knowing that my property has found a buyer ready to increase its **value in the future**. A life annuity is a **modern, supportive, and meaningful solution**.”*

— Jean-Pierre, 72 years old – Toulouse



And what about our buyers ?



Investing differently is possible !

*“I wanted to **invest in real estate**, but not at any price: I wanted my **investment to have meaning**. Thanks to life annuities, I found a solution that is both **ethical and responsible**.”*

*By becoming a buyer, I'm helping a senior citizen **enjoy a better retirement** while **building my own future**. This intergenerational connection gives a profoundly human dimension to this process - it's an investment that truly has heart.”*

— Élodie, 39 years old – Nantes



Annuity Management Service

To meet our clients' needs, we have developed a **specific and unique life annuity management service** at **Univers Viager's** headquarters.

With this service, we support **sellers** and **buyers** throughout the entire **duration of their contract**.

This provides maximum **security** and **peace of mind**. The majority of our clients invest in this service for efficient and **predictable management of their life annuity**.

Like them, you too can enjoy a **peaceful life annuity** !

Our management team at your service

For your peace of mind, and **depending on the type of sale**, we provide the following services :

- ✓ Collecting life **annuity payments**, transferring them to the annuitant according to the **agreed schedule**, and monitoring payments
- ✓ Producing an **annual statement** of annuity payments for **tax purposes**
- ✓ Annually reviewing the life annuity (**indexation**)
- ✓ Collecting and disbursing **quarterly condominium fees** owed by the annuitant, and **reconciling them annually** according to the statement of charges
- ✓ Implementing the **annuity increase in the event** of the **annuitant relinquishing use** of the property, as stipulated in the deed of sale
- ✓ Verifying the mandatory **insurance policies** of both the annuitant and the debtor annually
- ✓ Assisting you with **legal proceedings** in the event of non-payment of annuity payments
- ✓ Informing the parties **about the allocation of expenses and maintenance** work as per the deed of sale
- ✓ Requesting an **annual maintenance** certificate for the equipment
- ✓ **Special services available upon request** : condition reports locations, property visit, etc.



Life annuity management, in a nutshell...

FOR THE BUYER

Acquire a property through a life annuity and **manage your contract with complete peace of mind**. No more worrying about monthly annuity payments, annual indexation, or the allocation of expenses, etc.

Univers Viager takes care of it all for you !

FOR THE SELLER

Enjoy your retirement with complete **peace of mind**. We are the **trusted intermediary** between the seller and the buyer. Thanks to our service, you benefit from **high-quality support throughout** the duration of your contract !



From our clients' perspective ?



SELLER'S SIDE | Peace of mind every day.

*"Entrusting the management of my life annuity sale to **Univers Viager** was a **real relief**. I no longer have to worry about monthly payments : the annuities always arrive on time, and I receive a certificate for my tax return every year. I'm enjoying my retirement with complete peace of mind, knowing that everything is **controlled and transparent**."*

— Jeanne, 82 years old – Bordeaux



BUYER'S PERSPECTIVE | Simplified management.

*"As a buyer, I particularly appreciate the **thoroughness** of this service. They **manage all the financial flows**, including condominium fees, and **clearly inform** me of the allocation of work stipulated in the deed. It's a **real comfort**, especially with the time difference - I know that everything is handled **professionally and on time**."*

— Benoît, 47 years old – Réunion Island



Frequently Asked Questions

→ DO LIFE ANNUITIES REALLY WORK?

Yes, **the life annuity market is booming**, with **growth of 5 to 6% per year** over the last 10 years

It is driven by :

- ✓ An **ever-increasing number of seniors** (+49% increase in people aged 75 to 85 between 2020 and 2030)* whose **pensions and purchasing power are no longer increasing**, or are even decreasing.
- ✓ **Buyers who are preparing for their retirement** by investing in real estate while **giving meaning to their investment**.

**Report from the High Commissioner for Planning "When Baby Boomers Turn 85" - 2023*

→ WHAT HAPPENS IF THE BUYER OF A LIFE ANNUITY DEATHS ?

In the **event of the buyer's death**, their heirs **inherit the property** and the debt represented by the future annuity payments.

If the heirs wish to **keep** the property, they **continue to pay the future annuities**. Otherwise, they can sell their life annuity to recover the invested capital and transfer the responsibility for paying the future annuities to the **new buyer**.

The sellers, for their part, **are protected** since it is their original contract that is resold as is; they retain the **same legal protections**.

→ CAN YOU BORROW TO BUY A LIFE ANNUITY ?

Yes, but certain conditions must **be met**.

Indeed, the seller benefits from a "**special legal mortgage**," which is identical to a first-ranking mortgage on the property sold (giving them priority over other creditors to **seize the property** from the buyer).

Therefore, if the buyer **wishes to borrow money**, they will need to provide the bank with **collateral other than the purchased property** : another property, for example, or have **someone guarantee** the loan or pledge capital.



Frequently Asked Questions

→ AM I STILL THE OWNER IF I SELL WITH A LIFE ANNUITY OCCUPIED ?

No, the **transfer of ownership** takes place on the day the deed is signed at the notary's office. The buyer becomes **the owner**, while the seller **retains** a right of use and occupancy until the end of their life or a usufruct over the property sold.



→ HOW ARE THE DOWN PAYMENT AND ANNUITY CALCULATED ?

To calculate the down payment and annuity amounts, several factors must be taken into account :

- ✓ The **market value** of your property
- ✓ The **age, gender, and number** of sellers
- ✓ Whether or not the property is **occupied**

The balance between the down payment and the annuity will be advised by the professional assisting you, based on a life annuity scale, according to your needs and **their market knowledge**.

→ HOW MUCH WILL MY LIFE ANNUITY PROJECT COST ?

The seller's only obligations are to provide the buyer with **all mandatory technical reports**, proof of insurance and equipment maintenance, and any condominium **documents**, if applicable. There will be no other fees.

It's always important to **take your time** before deciding to **sell a property** as a life annuity to ensure it's the right solution for your **life plans**.

→ HOW LONG DOES A SALE TAKE ?

The marketing time for a life annuity depends on the **attractiveness** of the geographic area, the **property's condition**, the **sellers' age**, and the financial balance between the initial payment and the annuity payments.

We've observed that the number of sellers and buyers has increased significantly in recent years, and that sales are now being completed **more and more quickly** (between 3 and 6 months on average).

Frequently Asked Questions

→ WHAT IS THE IDEAL AGE TO SELL A LIFE ANNUITY ?

There is no ideal age. Sellers **decide** to sell their property as a life annuity when they are convinced it is the **best solution** for them in relation to their **life plans**. The majority of sellers are between **70 and 85 years old**.

Many younger sellers (around **65 years old**) but also older sellers (over **90 years old**) who wish to remain in their homes and **benefit** from various forms of assistance decide to sell.

→ CAN I CARRY OUT RENOVATIONS WITHOUT THE BUYER'S AGREEMENT ?

Yes, you have the right to **use the property** and you can **undertake any improvement work** you wish, inside or outside your home, and **choose the decor** you prefer.

The only thing you cannot do without your buyer's agreement is **modify the building's structure** (converting a garage into a bedroom, building a veranda, a swimming pool, etc.).

→ DO MY CHILDREN NEED THEIR CONSENT TO THE SALE ?

No, it's not necessary. Once you have **full ownership of your property**, you can do whatever **you want with it** ! You can **sell it, rent it out, or even move elsewhere**.

Children have no special rights to the property unless they own a share of it.

However, in the case of a life annuity sale with retained occupancy, we recommend **informing them of your plans**.

→ IS IT POSSIBLE TO HOST SOMEONE ?

Yes, you can **host whomever you want**, whenever you want, free of charge. This person will have **no rights to the property** after your death; they will be required to leave unless **the deed of sale stipulates** that they, like you, have the right of use and habitation.



Frequently Asked Questions

→ CAN I SELL MY SECOND HOME AS AN OCCUPIED LIFE ANNUITY ?

Yes, it is perfectly possible to **sell a second home as an occupied life annuity**. This will allow you to have **additional income**, particularly to cover expenses.

→ CAN I PROTECT MY SPOUSE IF THEY ARE NOT THE OWNER ?

Yes, in the **deed of sale**, it is possible to **grant the right of use and occupancy** to your spouse who is not the owner, or to a third party.

This is indeed a **good solution to protect them**, as they will be able to live in the property for the rest of their life.

→ IS IT POSSIBLE TO SELL A LIFE ANNUITY TO A FAMILY MEMBER ?

Yes, legally it is possible, but we advise against it. Indeed, great care must be **taken to ensure** that the sale is not later reclassified as a **disguised gift by the tax authorities**, who could then retroactively apply **inheritance tax** and **potential penalties**.

→ WHAT IS THE TAXATION OF A LIFE ANNUITY SALE ?

The tax burden for the seller is very low in a life annuity sale :

- ✓ There is **no tax** on the **portion paid upfront** on the day of signing (the initial lump sum).
- ✓ The annuity payments are considered income and are therefore taxable. **From age 70**, 70% of the annuity value is tax-free. **The remaining 30%** is added to the **seller's income** and constitutes their new taxable base. **Social security contributions** (CSG and CRDS) are also levied on this **30%**.

Frequently Asked Questions

→ IS THE CONTRACT SIGNED AT THE NOTARY'S OFFICE ?

Yes, a life annuity sale requires the signing of an **authentic deed before a notary**. This deed will specify **all the financial and legal terms of the sale**. Each party can choose their own notary, or both can choose the same one.

The **acquisition costs** are **paid in full** by the buyer.

→ WHAT HAPPENS IF I WANT TO LEAVE MY HOUSE/APARTMENT ?

Whether the **departure is voluntary or forced** for medical reasons, once the decision is made, **you must inform your buyer three months in advance**.

From the day you **hand over the keys**, the buyer can then **use the property to live in it or rent it out** and will, from that moment on, pay you a **supplementary annuity** in addition to the life annuity already received.

→ IS THE ANNUITY REDUCED UPON THE DEATH OF ONE OF THE SELLERS ?

In a **life annuity agreement for two people**, the **annuity amount is fixed from the outset**.

Upon the death of the first seller, there is **no change to the annuity amount**, unless specifically stipulated in the deed. In **most cases**, the annuity is **100% reversible**.

→ IS IT POSSIBLE TO LIVE WITH THE SELLER ?

This question is frequently asked. The seller **isn't looking for a roommate** when selling a property as a life annuity! They want to **remain in their home and live peacefully**, while benefiting from **supplemental income to enjoy their retirement**.

So yes, it is possible, but very rare, and extreme care must be taken in the deed to clearly and **precisely define the rights and obligations of each party**.



Frequently Asked Questions

→ WHO PAYS FOR UTILITIES AND MAINTENANCE WHEN THE PROPERTY REMAINS OCCUPIED ?

When signing a **purchase agreement with the seller retaining occupancy rights**, it is important to specify in the **deed of sale** the precise **allocation of expenses between the parties**.

The **buyer pays property tax, non-occupant owner's insurance, major repairs** (roof and walls), and their share of condominium fees, if applicable.

The **seller**, on the other hand, remains responsible for **all utility costs** (water, gas, electricity, garbage collection tax), **occupant's insurance**, all maintenance repairs, and their **share of condominium fees**, if applicable.



→ WHY IS THERE A DISCOUNT ON THE PROPERTY'S VALUE ?

In a **life annuity sale** with retained occupancy, the **seller's continued residence in the property** until their death results in a **discount on its value**.

Indeed, during this entire period, the buyer has **no use of the property**, neither for personal occupancy nor for rental purposes.

Conversely, in a **life annuity sale with vacant possession**, there is **no discount on the property's value**. The property is **sold free of occupancy** by the seller (and can therefore be rented).

→ WHAT ARE THE ADVANTAGES OF SELLING WITH RETAINED OCCUPANCY ?

There are many :

- ✓ Receiving a **lump sum payment on the day of signing** to enjoy or share **with loved ones**
- ✓ Receiving **supplemental income** for the rest of one's life
- ✓ Continuing **to live in one's home**
- ✓ **Reducing expenses** (property tax and major repairs)
- ✓ **Enjoying retirement** (traveling, purchasing property, etc.)
- ✓ Planning **one's estate** with peace of mind

Frequently Asked Questions

→ AM I REQUIRED TO PROVIDE A MEDICAL CERTIFICATE ?

Legally, there is no obligation to provide one, but if there is **any doubt about your capacity**, then yes, you must have an **examination carried out by a court-appointed physician**.

To **sell real estate**, you must own it **outright and be of sound mind**.

→ I HAVE A MORTGAGE, CAN I STILL SELL ?

Yes, there is **no problem**. If your loan is secured by a **mortgage on the property being sold**, you must ensure that the **loan will be repaid** by the day of the sale at the latest.

It is not possible to sell without releasing this mortgage.

→ CAN I STAY LIVING IN MY OWN HOME ?

In a **life annuity sale** with retained occupancy, the seller retains the right **to use and occupy the property for life**. Therefore, **you remain in your home** and **enjoy your retirement** with the supplementary income provided by the initial lump sum payment and the annuity payments.

Your buyer, although the owner of the property, cannot enter your home without your permission!

→ WHAT SHOULD I DO IF THE BUYER STOPS PAYING THEIR LIFE ANNUITY PAYMENTS ?

In a **life annuity sale**, the seller is guaranteed the effective payment of the future annuity by **two legal protections** : the **seller's special legal mortgage** and the right to **rescind the sale** as a guarantee of annuity payment.

If the buyer **stops paying** their annuity payments, even after a formal demand for payment, the seller must **consult a lawyer** who will, in turn, **petition a judge** who will order the rescission of the sale.

This is an **automatic rescission**; there is no discussion between the parties.

At the end of the procedure, the seller **regains full ownership** of the property and retains all sums already received (down payment + annuities paid) **as compensation**. **Extreme care must be taken when drafting the specific clauses, and professional guidance is essential**.

A Look at the Legislation

Articles 605 and 606 of the Civil Code concerning the allocation of expenses and work :

- **ARTICLE 605** : The usufructuary is only responsible for maintenance repairs. Major repairs remain the responsibility of the owner, unless they were caused by a failure to carry out maintenance repairs since the usufruct began; in which case, the usufructuary is also responsible.
- **ARTICLE 606** : Major repairs include those to load-bearing walls and vaults, the replacement of beams and entire roofs, as well as the complete replacement of dikes, retaining walls, and boundary walls. All other repairs are considered maintenance.

The life annuity contract is governed by Articles 1964 to 1983 of the Civil Code :

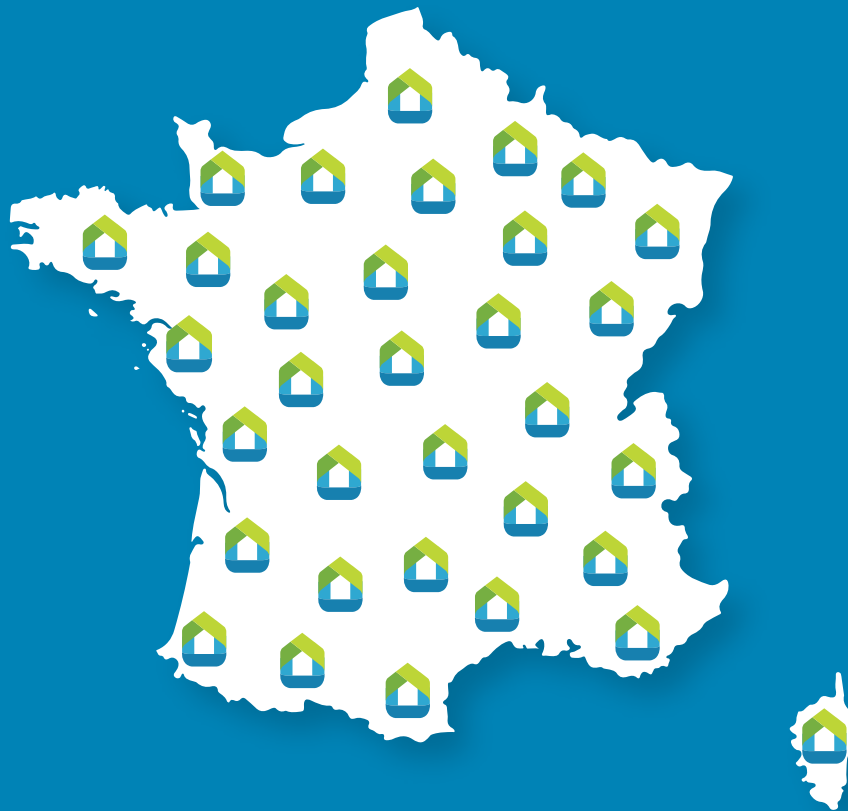
- **ARTICLE 1964** : A contingent contract is a reciprocal agreement whose effects, with regard to gains and losses, for all parties or for one or more of them, depend on an uncertain event. Examples include: insurance contracts, games of chance and betting, and life annuity contracts
- **ARTICLE 1968** : A life annuity may be established for valuable consideration, in exchange for a sum of money, or for appreciable movable property, or for real estate.
- **ARTICLE 1969** : It may also be established, purely gratuitously, by gift inter vivos or by will. In this case, it must comply with the formalities required by law.
- **ARTICLE 1970** : In the case of the preceding article, the life annuity is reducible if it exceeds what can be disposed of.
It is void if it benefits a person incapable of receiving it.
- **ARTICLE 1971** : A life annuity may be established either on the life of the person who provides the price, or on the life of a third party, who has no right to enjoy it.
- **ARTICLE 1972**: It may be established on one or more lives.
- **ARTICLE 1973** : It may be established for the benefit of a third party, even if the price is provided by another person. In the latter case, although it has the characteristics of a gift, it is not subject to the formalities required for donations, except for the cases of reduction and nullity set forth in Article 1970. When, established by spouses or one of them, the annuity is stipulated to be reversionary to the surviving spouse, the reversion clause may have the characteristics of a gift or those of an onerous transaction. In the latter case, the compensation or indemnity owed by the beneficiary of the reversion to the community property or the estate of the deceased is equal to the value of the reversion of the annuity. Unless the spouses stipulate otherwise, the reversion is presumed to have been granted gratuitously.

A Look at the Legislation

- **ARTICLE 1975 :** The same applies to a contract by which an annuity was established on the life of a person suffering from the illness from which they died within twenty days of the contract date.
- **ARTICLE 1976 :** The life annuity may be established at the rate that the contracting parties choose to determine.
- **ARTICLE 1977 :** The person for whose benefit the life annuity was established in exchange for a price may request the termination of the contract if the grantor does not provide the guarantees stipulated for its performance.
- **ARTICLE 1978 :** The mere failure to pay the annuity arrears does not entitle the person in whose favor the annuity is established to demand reimbursement of the capital or to reclaim the property alienated by them. They only have the right to seize and sell the debtor's assets and to order or authorize the use of sufficient funds from the proceeds of the
- **ARTICLE 1979 :** The grantor cannot be released from the obligation to pay the annuity by offering to repay the capital and waiving the right to recover the arrears already paid. They are obligated to pay the annuity for the lifetime of the person or persons in whose name the annuity was established, regardless of the length of their lives or how burdensome the payment of the annuity may have become.
- **ARTICLE 1980 :** A life annuity is acquired by the owner only in proportion to the number of days they have lived. However, if it has been agreed that it will be paid in advance, the installment due is acquired from the day the payment was due.
- **ARTICLE 1981 :** A life annuity may only be stipulated as unseizable when it has been established gratuitously
- **ARTICLE 1983 :** The owner of a life annuity may only claim arrears by proving their own existence, or that of the person on whose life the annuity was established.

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and answer all your questions !



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