

FINANCIAL PLANNING | INVESTMENT ADVICE
SUPERANNUATION | SMSF | RISK INSURANCE | ESTATE PLANNING



Aged care solutions



Aged care – making an informed decision

Our aim is to give you the peace of mind that comes from sound, compliant financial advice, and work to bring about the appropriate financial outcome for everyone involved. Everybody's situation is different, so it's important to seek financial advice from a professional before making any big financial decisions.

This guide contains some helpful insights into aged care. We will help you and your family work through the options that best suit your particular circumstances and needs.

We provide professional financial advice that's tailored to suit your needs – whether it's about helping you structure your finances to meet entry fees and ongoing charges, making the decision to sell or retain the family home or putting a plan in place to ensure your assets are preserved so you can afford the care you want.

Let's face it... we're getting older

As a result of the ageing population, aged care is fast becoming an area that requires specialist advice. Like any financial decision, it pays to understand the options so you can make the most of the opportunities that are available, in other words, make sure you receive everything you're entitled to receive.

As we get older, it becomes more and more difficult to live independently – whether it's because of illness, disability, reduced mobility, isolation or the problems associated with maintaining a large property.

While moving in with family may be a viable option, there are alternative accommodation options that not only allow a level of independence to be maintained, but also provide varying levels of care if required.

There's no doubt that the decision for either you, or a loved one, to move into an aged care facility is a tough one. It's also an emotional one because it means yielding to the next stage. And, it's complex; you need to have an understanding of the rules and regulations because it's important to understand what you're getting into.

What's the role of a financial adviser?

As with any decision in life, having access to the right information can help you make an informed decision which ultimately gives you peace of mind. Understanding all the issues – the implications to your age pension entitlements, the aged care costs you will be charged as well as the impact on your estate and the passing of your wealth to the next generation – will give you comfort around the decisions you and your family make.

Did you know?

By 2054-55, it's estimated that more than 22.6 per cent of the population will be aged over 65¹. Not only that, but the number of people over 85 is expected to go up by 4.9 million².

1 2015 Intergenerational Report, p12

2 2015 Intergenerational Report, p12

What are the aged care options?

Depending on the level of care required, which may change over time, there are a number of different accommodation options available:

- 1 **Retirement villages.**
- 2 **Residential aged care facilities.**
- 3 **Receiving care at home.**

In this guide, we will concentrate on Government approved facilities that provide personal or nursing care services. There are also options available to receive aged care services in the comfort of your own home.

Making the choice

Choosing a suitable aged care facility is an important decision. While it obviously depends on the level of service you need, there are other things you should consider:

- Location and access – is it easy to get to, not only for you but for your family?
- Accommodation, meals and routines.
- The culture as well as the level of social interaction among residents.
- What level of care you need now and in the future, particularly if you have any pre-existing health conditions.
- Costs.

1. Retirement villages

Retirement villages provide private independent living options for the over 50s and are a lifestyle choice for some Australians. In some cases, retirement villages may provide some care facilities but this is more an exception than the norm.

2. Residential aged care facilities

Since 1 July 2014, while there is no longer the distinction between low and high care, you will still need to be approved for residential care. Government-funded facilities have a greater level of regulation and there are rules around eligibility as well as standard funding requirements.

What's the assessment criteria?

Before entering a residential aged care facility you will need to undergo both a health assessment and a financial assessment.

Health assessment

To be able to enter a Government-funded aged care facility, you must first be assessed by the Aged Care Assessment Team (ACAT). Often based in hospitals, ACATs are health care professionals, such as doctors, nurses and social workers who will determine the level of service you need if you can no longer manage at home on your own. The assessment will generally occur after a referral has been received from your GP.

Based upon the results of the assessment, ACAT will determine whether you need to live in a residential care facility or in home care.

Will you have to sell your home?

When it comes to aged care, the thought of losing the family home to pay for fees is probably one of the most distressing. But, did you know that you might not have to sell?

You have three options:

- 1 **Keep your home**
- 2 **Rent your home**
- 3 **Sell your home**

The decision you make can have a significant impact on your aged care costs and fees so it's very important to get advice so you can make an informed decision.

Financial assessment

While your first priority is obviously to find the best possible level of service, it's also important to consider the financial aspects so you make the right choices for you and your family.

Making the wrong decision, without the right advice, could result in a loss of age pension, increased aged care costs and a reduced estate to be passed on to the next generation.

While the Government partly funds the cost of care, the fees you pay depend on:

- the level of care required (as indicated by your health assessment)
- the fees levied by the individual facility
- your assets and income – a financial assessment (assets test and income test) will determine the level of fees you need to pay.

Once the ACAT assessment has been completed and the required level of care is established, the Department of Human Services (DHS) or Department of Veterans' Affairs (DVA) will assess your ability to pay fees for aged care accommodation and services.

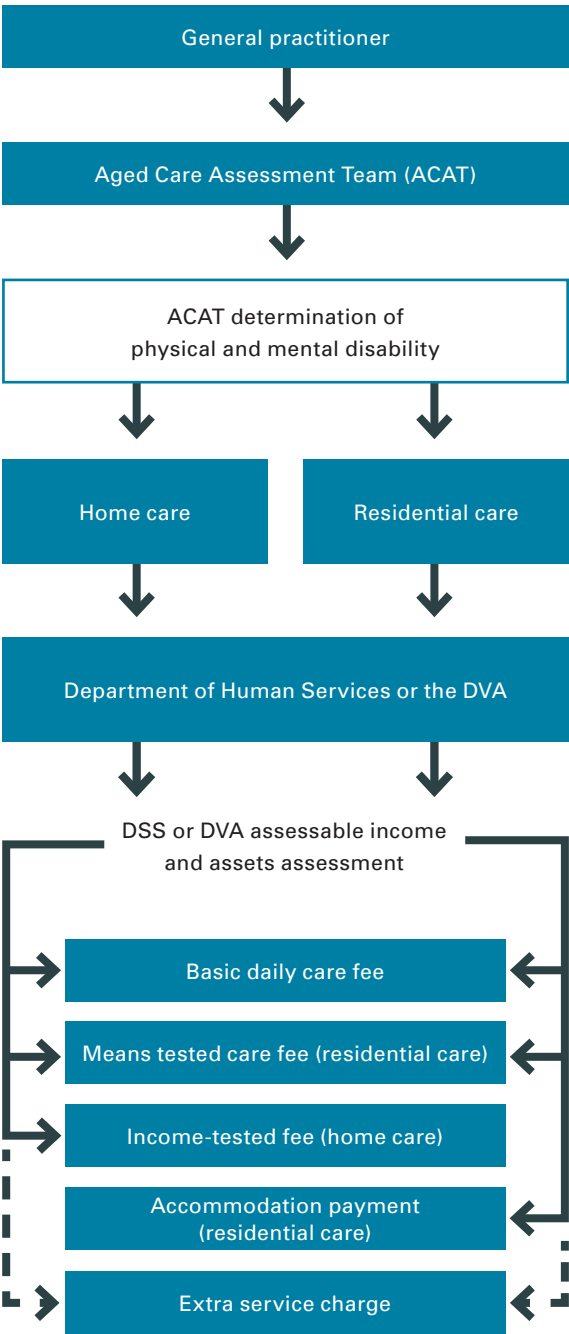
You will need to provide asset and income information and will need to complete a 'Permanent residential aged care request for combined assets and income assessment' form (Centrelink SA457 form) which outlines your current financial position.

As the financial assessment will take into account the amount of your income and assets, it's important to note that failure to complete this form may result in you being charged higher fees across the different categories.

Can you reduce your assets and income by gifting?

There are limits on the amounts you can gift; \$10,000 per financial year up to a maximum of \$30,000 in a consecutive five-year period. Gifts over these limits may affect your fees and charges.

The assessment process



What are the costs?

The fees and charges associated with residential care facilities differ and can be quite high, so it's important to understand what and how fees are being charged and the ways these may be reduced.

The costs also vary depending on the type of resident you are; a permanent resident staying in the facility on an ongoing basis or a respite resident on a more temporary basis as a result of an illness or an injury. All residential care facilities are required to set aside a percentage of their accommodation for residents who are unable to fund their own care, either in part or in full.

Costs for permanent residents

Generally, as a permanent resident, the types of fees you can be charged include:

- 1 a basic daily fee
- 2 a means tested care fee
- 3 an accommodation payment
- 4 extra services fees.

1. Basic daily fees

You will pay a basic daily fee as a contribution towards accommodation costs and living expenses such as meals and refreshments, cleaning, laundry, heating and cooling. The basic daily fee you will pay as a permanent resident is 85 per cent of the annual single basic age pension.

2. Means-tested care fee

In addition to the basic daily fee, if you are a permanent care resident and your total assessable income plus assets is above the maximum accommodation supplement, you may be asked to pay a means-tested care fee.

Costs for respite care

If you enter and receive respite care in a Government-funded aged care facility, you may be asked to pay the standard basic daily fee. A booking fee may also apply. Unlike permanent residents, as a respite resident you do not need to pay any accommodation payments or additional means-tested care fee.

3. Accommodation payments

If you have sufficient assets and income, then you may be asked to pay an accommodation payment. However, when establishing the amount you pay towards your accommodation, the Government will set the minimum amount of assets that must be retained so that, when you pay an upfront accommodation payment, you would not be left with an amount that's less than the minimum asset amount. The minimum asset amount is \$48,500 per person for a couple and excludes the family home if a spouse remains within the home.

There are a number of ways you can pay the accommodation payment, such as:

- lump sum
- periodic payment, or
- combination of lump sum and periodic payment.

When an accommodation payment is required, the amount, as well as the payment method can vary and can be negotiated with the aged care provider. If you choose not to pay the entire accommodation payment as a lump sum to the aged care facility, interest can be charged on the unpaid amount. This is known as a periodic payment. The interest rate charged for all new residents is determined by the Government and is updated on a quarterly basis.

The lump sum accommodation payment is guaranteed by the Government and will generally be refunded to you or your estate within 14 days of leaving the aged care facility.

4. Extra services fees

Some facilities may provide extra services, such as higher standards of accommodation or a larger room, increased food choices or wine with meals. These fees are charged separately to the standard fees previously described.

3. Receiving care at home

With Australians wanting to retain their independence, there is an increasing demand for access to aged care services at home.

What is the assessment criteria?

To be eligible to receive care at home you must undergo a health assessment.

Health assessment

To be eligible to receive care at home you must undergo a health assessment to determine the level of care required. Like residential aged care, to be able to receive care at home you must be assessed by the aged care assessment team.

There are four levels of home care services:

Level 1 – Basic care

Level 2 – Low level care

Level 3 – Intermediate care

Level 4 – High level care

Basic/low level care

These packages provide a low level of care within your home and may include personal care such as bathing and dressing as well as domestic assistance such as housework, meal preparation, shopping and gardening.

Intermediate/high level care

This package provides a higher level of care within your home, including nursing care from a health professional such as a physiotherapist or podiatrist as well as personal care and domestic assistance.

What are the costs?

You will be charged a fee for the provision of these services. All residents are expected to pay no more than 17.5 per cent of the basic pension rate. If you have a higher income, you may be asked to pay up to 50 per cent of any income above the income threshold (subject to max yearly caps).

Did you know?

In 2017-18 the number of home care packages is estimated to be 100,000 places nationally³.

³ My Aged Care website, Home Care Packages reform



Financial advice makes a difference

As you can see, it can be difficult to plan for the move into an aged care facility, not only financially but emotionally, particularly if events happen suddenly. The more you can plan, and learn, the better, because when the time comes, you may find yourself facing a complex range of questions that require decisions to be made... sometimes quickly.

Save time and achieve a better outcome with our advice

We'll help you:

- understand your options (moving into an aged care facility or remaining within the home)
- make a budget that includes your daily care fees and accommodation costs
- understand the means testing for both your age pension and aged care fees
- understand the impact on your age pension and Centrelink/DVA benefits
- determine if you need to sell the family home or retain and rent it
- understand how it will affect your estate plan.

For further advice and information contact your Wealth Arena Financial Adviser.

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