Understanding the cost of Aged Care

Your guide to Home Care Packages, Respite and Aged Care

GOLDEN AGE
ADVISORY

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Aged Care:
what you need to know

Aged Care choices are complex.

Making the wrong decisions can come at a high price both emotionally and financially.

Whether you are considering aged care for yourself, a parent, partner or loved one the decisions you face can seem overwhelming. This booklet is designed to provide you with answers to the most commonly asked questions and point you in the direction of some valuable resources to help you avoid some of the potential pitfalls.

Some of the important financial decisions people are faced with are often highly emotional too, for example whether to keep or sell the family home. In deciding what is the right choice you need to consider a range of factors that include; the ability to access the care you want, whether or not care will be affordable, the impact on pension entitlement, different aged care costs, potential tax consequences and the effect on estate planning.

As you will see, financial arrangements vary widely and need to be considered in light of your own financial circumstances. There is no substitute for quality financial advice from an Aged Care Guru™.

Accessing Aged Care

Prior to accessing most aged care services you will require an assessment of your care needs.

The team of people responsible for this are known as the ACAT (Aged Care Assessment Team). The ACAT, made up of doctors, nurses, social workers and therapists, determine the care services that you are eligible to receive and provide this to you in writing. You should keep this record in a safe place as you will need it to access Home Care Packages (HCP's), transition care, respite as well as permanent entry to an aged care facility.

The ACAT assessment is free of charge and can be carried out in your own home or at the ACAT offices.

Many people are referred to the ACAT by their doctor but you are free to make contact with the ACAT yourself.

Rest assured that the ACAT interview process is a relatively easy one and the team's objective is to help you. Be aware that in some cases you could be waiting several weeks to get an appointment for the assessment to be carried out so it's best to book in advance.

MyAgedCare can put you in contact with your local ACAT. You can call them on **1800 200 422** or visit **www.myagedcare.gov.au** for more information.

Care at Home (Home Care Packages)

There are a range of services you can receive to assist you to stay at home. These services may be provided through private carers, Commonwealth Home Support Programme (CHSP), a Home Care Package (HCP) or a combination. The costs for private carers and CHSP services vary so you should speak to the service provider before you start receiving their services. To be eligible to receive a Home Care Package you will need to have an ACAT assessment.

Your ability to contribute towards the cost of a Home Care Package will be assessed by the government based on your and (if applicable) your partner's income. Assessable income is determined in accordance with Centrelink income tests and also includes your pension entitlement. If your assessable income exceeds the threshold you will need to contribute towards your home care package at the rate of 50¢ per dollar above the threshold.*

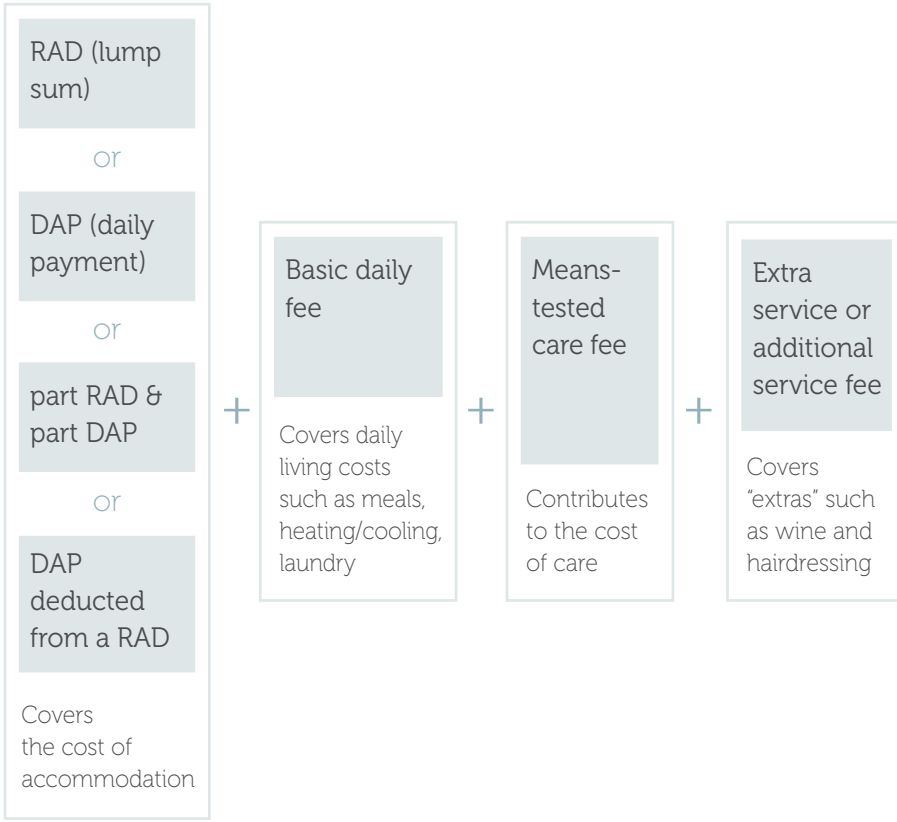
Full pensioners will not be liable for an income-tested care fee, part pensioners and self-funded retirees cannot pay more than the annual cap.

A lifetime limit applies to the income-tested care fee and the means-tested care fee (if you subsequently move to an aged care facility).

All Home Care Package recipients can pay the Basic Daily Fee, calculated at 17.5% of the pension.

*Please refer to the Aged Care Gurus Ready Reckoner for current rates and thresholds.

Residential Aged Care fees and charges



It is important to understand the different financial arrangements in light of your own personal circumstances to determine whether or not care is affordable.

What is a RAD and a DAP, and how do they work?

You can choose to pay for your cost of accommodation through a lump sum (known as a Refundable Accommodation Deposit or RAD), a daily payment (known as a Daily Accommodation Payment or a DAP) or a combination of the two.

Accommodation payments are subject to a market price and aged care facilities need to publish the price of their accommodation payments on their website, the **MyAgedCare** website and in their brochures.

Market price RAD's in excess of $550,000 need to be approved by the Aged Care Pricing Commissioner.

The Daily Accommodation Payment is calculated on any amount of unpaid Refundable Accommodation Deposit at a government set interest rate, known as the Maximum Permissible Interest Rate (MPIR).*

Any amount of RAD you pay will be an exempt asset for the calculation of your pension entitlement. However, your RAD will be included in the calculation of assets for your means-tested care fee.

A RAD is guaranteed by the government and will generally be refunded to you or your estate shortly after you leave.

*Please refer to the Aged Care Gurus Ready Reckoner for current rates and thresholds.

What are daily fees and means-tested care fees?

The Basic Daily Fee, set at 85% of the Age Pension, is paid by all residents of an aged care facility, including those on respite.

You will be assessed by the government based on your assets and income to determine your capacity to pay beyond the Basic Daily Care Fee, known as the means-tested care fee.

The formula that is applied is:

50¢ per dollar of income above the threshold **plus**

17.5% of value of assets above the minimum assets but below the first threshold **plus**

1% of value of assets between the first asset threshold and the second asset threshold **plus**

2% of assets above the second asset threshold **minus** the maximum accommodation supplement.*

Income is assessed under the same rules that Centrelink applies for pension entitlement**. Assets, both within Australia and overseas, are assessed at market value. If you are a member of a couple your income and assets will be assessed on a 50/50 basis.

*Please refer to the Aged Care Gurus Ready Reckoner for current rates and thresholds.
**Special rules can apply to rent from the former home for people who entered care prior to 1 January 2017.

Your former home will be assessed up to a capped value unless a protected person is living there, in which case it is exempt from the assessment.

A protected person is:

- A spouse or dependent child
- A carer, who is eligible to receive an Australian Income Support Payment, who has been living there for at least two years
- A close relative, who is eligible to receive an Australian Income Support Payment, who has been living there for at least five years.

Your means-tested care fee cannot exceed your cost of care. There is also a lifetime limit across all forms of care.*

*Please refer to the Aged Care Gurus Ready Reckoner for current rates and thresholds.

What if I can't afford to pay an accommodation payment?

A common misconception about moving into an aged care facility is "If I don't have any money, I won't get in!". In reality, most aged care facilities need to keep a ratio of people who are financially disadvantaged to receive funding from the government.

Known as low-means residents people with assets and income below the asset and income thresholds don't pay an accommodation payment. People with assets and/or income above the threshold/s but with a calculated amount below the maximum accommodation supplement pay a calculated amount.

Low-means residents can choose to pay towards the cost of their accommodation by daily payment, known as a Daily Accommodation Contribution (DAC) or by Lump Sum, known as a Refundable Accommodation Contribution (RAC) or by a combination of the two.

Can I gift my money/assets?

The simple answer is yes, but be aware of the consequences.

The rules around gifting for aged care are in line with pension rules around gifting (deprived assets). Any gift you make in excess of $10,000 in a financial year and $30,000 in the five years prior to entering aged care will be assessed as an asset and deemed to earn income.

This assessment will impact on the calculation of:

- Your pension entitlement
- Determining if you are eligible to be a low-means resident
- The amount of accommodation payment you can be asked to pay
- The amount of means-tested care fee you will be charged.

Will I have to sell my house?

While this may be the right decision it is important to understand the special rules that can apply.

The value of your house will be exempt from the calculation of your pension entitlement for two years from the date you or your partner move out.

For aged care purposes the house has an assessed value up to the capped amount unless a protected person lives there. Any rent (net) will be included as income for calculating any means-tested government pension and for calculating the means-tested care fee*.

It is important to be aware that:

- The income (rent) is assessable for taxation purposes
- The rent charged does not need to be at market rates
- The future sale of the house may be assessed for Capital Gains Tax.

* Special exemptions can apply to residents who entered care prior to 1 January 2017.

Will my pension entitlement change?

If you receive a means-tested pension then the decisions you make about funding your cost of aged care can affect your pension entitlement.

The amount you pay as an accommodation payment is exempt from the calculation of pension under the asset and income tests.

If you are a couple, and one (or both of you) live in aged care, you may qualify to receive a higher rate of pension on the basis that you are an 'illness separated couple'. In some cases, people who are not eligible to receive a pension qualify after funding the move to aged care.

Do I need advice?

The simple answer is Yes. It is important that you seek advice about your individual circumstances.

This booklet gives you some useful information to help you better understand aged care costs. The decisions you make about how to fund aged care can have wide ranging effects, including on:

- your pension entitlement
- the cost of care
- your ability to afford care in the longer term
- the amount of money left to your estate.

Financial arrangements can vary within a facility and from one facility to the next. One financial arrangement may be better suited to you and your financial objectives than another.

We can help you understand your cost of aged care by:

- identifying the fees and charges that will apply to you
- evaluating the affordability of aged care in the short and long term
- calculating your pension entitlement and other benefits
- discussing the options for meeting your aged care costs
- providing you with a comprehensive analysis of your options so that you can make informed choices.

To find out more about aged care, or to make an appointment please call.

How to contact us

To talk over the best way forward, call us today

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This advice is of a general nature only and is based on current laws and their interpretation. The application of the information in this document will depend on the individual's circumstances. Before making any investment decisions we recommend you consult with us so that we can take into account your particular investment objectives, financial situation and individual needs.

Aged Care Gurus

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