



## Aged Care Guide

Helping with the hard decisions to provide security and peace of mind as you age



ROWLAND  
FINANCIAL ADVISORY

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This guide looks at some of the financial complexities of aged care to discuss with your financial adviser. This guide provides information on the fees and charges that apply to people who first entered residential aged care on or after 1 July 2014.

## Aged care: what you need to know

Whether you are considering aged care for yourself, a family member, a friend or loved one it can be a complicated and emotional process. With this guide, and the advice of one of our Aged Care Accredited Financial Advisers, you will be better placed to make the best decisions about aged care to ensure both physical and financial wellbeing.

Some major decisions are faced by those considering aged care and seeking advice helps to understand the complex financial implications. Decisions like keeping and renting or selling the family home can have an impact on pension entitlement, tax and aged care costs. Uninformed financial decisions can cost thousands of dollars, and in some cases restrict the options of care available to you.

Each financial decision should be given careful consideration to ensure entitlements, fees and charges and your assessable assets are all working in the best way possible for your individual circumstances.

This guide simplifies some of the complicated elements of aged care – such as accommodation options, fees and charges – this information is not a substitute for professional advice. As you will discover, there are many options in terms of care and the way in which it can be funded. Choosing the right financial option will depend on your own personal financial situation.

### Assessing your eligibility

The Government has established Aged Care Assessment Teams (ACATs) to assess your care needs and will assist older people and their carers determine what kind of care will best meet their needs. ACATs assess and approve older people for Australian Government subsidised aged care, including residential aged care facilities, Home Care Packages and respite care.

Before you can enter an aged care facility (either for respite care or as a permanent resident) you will need to have an ACAT assessment. ACATs are available across Australia and can visit you in your own home or in a hospital to discuss your care needs. You can arrange an appointment with the ACAT closest to you by accessing the Government's aged care portal 'My Aged Care' at [www.myagedcare.gov.au](http://www.myagedcare.gov.au) or calling 1800 200 422. Alternatively, you may wish to make an appointment with your doctor who can arrange an appointment with the ACAT in your area.

## Types of aged care

Aged care facilities provide a variety of different levels of care. Some facilities cater for residents with relatively low care needs whereas others specialise in providing care for residents with higher care needs.

All aged care homes must provide a specified range of care and services to residents, according to their individual needs. These services include:

- appropriate staffing to meet the nursing and personal needs of residents
- assistance with daily living activities such as bathing, showering and dressing
- assistance with medications
- meals and social activities
- basic furnishings
- laundry and cleaning services
- maintenance of buildings and grounds.

For residents with higher care needs, services will also include the provision of special medical equipment, such as wheelchairs, basic medical and pharmaceutical supplies, nursing and therapy services.

While some aged care homes specialise in a particular level of care, many offer a range of care levels so that residents can stay in one location when their care needs increase.

## Fees and charges

The fees and charges associated with aged care can be confusing – particularly as they are calculated on an individual basis according to assessable assets, private income and pension entitlement. This guide will help you begin to understand these fees and charges, however the amount you pay will be influenced by the decisions you make prior to and after entering aged care.

Major reforms to the aged care system, including to the way fees and charges are calculated, apply to residents who first enter residential aged care on or after 1 July 2014 or move aged care facilities and choose to be assessed under the new rule.

One of the key changes is that all aged care facilities will be subject to the same fee structure, regardless of the level of care the resident requires.

There are two main types of fees payable for aged care:

- Accommodation payments
- Ongoing fees

## Accommodation payments

An accommodation payment is an entry fee payable for residential aged care. It is like an interest free loan to the aged care facility. The amount you pay as an accommodation payment will depend on the facility you choose to enter and is determined by a number of factors including quality of the facility, location and demand.

Aged care facilities must advertise the maximum amount of accommodation payment payable on the government's My Aged Care website [www.myagedcare.gov.au](http://www.myagedcare.gov.au). This website provides details of all available rooms in your area as well as the facilities key features.

An accommodation payment can be paid as a lump sum (known as a Refundable Accommodation Deposit), regular periodic payments (known as Daily Accommodation Payments) or a combination of both. In most cases, the entire lump sum bond balance will be refunded upon your departure from the aged care facility.

Protections are in place for residents who do not have sufficient funds to pay an accommodation payment. At the time of entry to the aged care facility, the government measures your 'means tested amount' and if it is less than a specified threshold, you will not have to pay the advertised accommodation payment. You may however make a contribution towards the cost of your care known as an accommodation contribution.

## What is included in the means tested amount?

**Means tested amount = Income tested amount + Asset tested amount**

### Income tested amount

The income tested amount uses total assessable income measures. Total assessable income includes ordinary income (as assessed by Centrelink/DVA) plus:

- age pension
- service pension
- income support supplements
- other income support payments
- any other assessable income, such as certain compensation payments, gifts and foreign pensions.

### Asset tested amount

The asset tested amount includes assets as assessed by Centrelink and includes any property or item of value that you or your partner have an interest in within Australia and overseas. It can also include assets that you have gifted (above the allowable threshold) within the last five years.

Assessable assets also include:

- Former home: The assessable asset value of the former home is included but its value is capped. The former home is only exempted where a protected person resides in the home such as a partner, carer who has resided in the home for 2 years (receiving income support) or a close relative who has resided in the home for 5 years (receiving income support).
- Refundable Accommodation Deposit (RAD): the amount paid as a lump sum accommodation bond is included in the assessable asset calculation.

## Ongoing fees

### Basic daily care fees

All aged care residents pay a basic daily care fee. The basic daily care fee is equivalent to 85% of the maximum single age pension.

### Means tested fees

The means tested fee is another ongoing daily fee, charged in addition to the basic daily care fee. The amount you will pay is calculated based on your means tested amount.

The means tested fee is capped on both an annual and lifetime basis, with the caps being indexed in line with the Consumer Price Index on 20 March and 20 September each year. Should you reach your annual cap, you stop paying this fee until the anniversary date of your entry into aged care.

If you reach your lifetime cap the fee stops completely. Services Australia aims to regularly check if you are paying the correct fees and does so through a quarterly review process.

## Extra services

Some aged care facilities are approved by the government to provide extra services across the whole facility or in a designated part of the facility. In addition to designated extra service facilities, some standard aged care facilities offer extra services on an opt-in basis.

Extra services mean that the facility will provide you with a higher standard of accommodation and services, which you will pay for in the form of a daily extra service fee. Extra services may include a choice of meals, wine or massages. Accommodation and services vary from one facility to another, so you will need to check with the provider for details of services and extra service fees.

### Daily Accommodation Payments

If a resident does not pay the accommodation payment in full, interest will be charged on the amount of the bond that is outstanding. These are referred to as Daily Accommodation Payments (DAP). These payments are not refunded to the resident when they leave, nor do they reduce the outstanding amount of the bond. The rate of interest charged is capped by the government.

## Pension entitlement

If you are a member of a couple, and one or both of you live in care, each of you may be able to receive a higher amount of pension under a special rule, this is known as illness separated couple pension.

Your pension entitlement and the cost of care can be affected by the decisions you make. For example the way you pay your aged care accommodation payments and how much you pay could affect your pension entitlement.

Accommodation payments are exempt from the pension asset and income test.

## What should I do with the family home?

For most people entering care the family home is their largest asset. It is common for people to assume that they need to sell this asset to fund lump sum accommodation payments. However it should be noted that the former family home may be eligible for very important concessions for both social security and aged care fee purposes. It is important not to make permanent decisions in relation to this asset before seeking advice.

### How is the former family home assessed?

The rules are complex as a number of exemptions apply in relation to both social security and aged care fee assessments. To make things more complicated rules have been adjusted over time. The summary below provides a brief snapshot of the treatment of the former family home under both social security and aged care fee situations.

#### 1. Social Security Assessment

Possible exemptions are:

- two year exemption
- spouse resides in the home
- indefinite exemption (pre 1 January 2017)

If these are not met then the home will be an asset and the resident is assessed as a non homeowner and any rent would be included as assessable income

#### 2. Aged care fee assessment

Generally the asset value of the former family home is included unless a 'protected person' resides in the home, however the value of the family home is capped. This is usually significantly lower than the market value of the property. Therefore utilising the capped value can potentially keep aged care fees lower.

If rented, the net rental income is included in the calculation for the means tested amount for clients who entered permanent aged care after 1 January 2016.

Seeking advice on the strategies surrounding keeping vs selling the family home is important and can have a significant impact on the cash flow position of the aged care resident.

## Financial advice for your situation

There are many options when it comes to aged care and the financial decisions you make can have a major impact on the affordability of aged care in the long term. Financial arrangements can vary within a facility and from one facility to the next.

It is important to seek advice regarding your personal situation. Decisions such as whether or not to sell your family home should be looked at within the bigger picture to ensure you maximise your pension entitlements.

Our Aged Care Accredited Financial Advisers can help you understand the true cost of aged care by:

- explaining the financial impact of the relevant fees and charges and determining those that are applicable to you
- ensuring you maximise your entitlement to a Government pension, and claim everything you are entitled to receive
- developing a plan to ensure your money will last, allowing you to afford care in the long term
- presenting you with the options available so that you can make an informed decision.





To find out more information on aged care, or to arrange an obligation free consultation with an Aged Care Specialist Financial Adviser, please call Rowland Financial Advisory on 07 5479 0785.

#### **Important Information**

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