

Aged care Strategies, tips and traps

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the next solution

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Agenda

- Types and cost of aged care
- Funding options and Centrelink issues
- Strategies, tips and traps
- Estate planning

“Living Longer Living Better” Aged care reform

Productivity Commission released a report “*Caring for Older Australians*” recognised urgent need of reform in our aged care system.

Key issues:

- Equity issue - average accommodation bond is \$264,000 but can be as much as \$2m. More than 63,000 aged care residents have paid around \$11b in bond to providers. Bond is usually raised through a forced fire-sale of the family home
- Aged care providers - desperate for reform to gain access to capital funding to build new nursing homes. People can wait up to 18 months to get help. Aged care facilities are frequently difficult to access and their quality and affordability vary substantially



Aged care homes...examples

- Independent living units (Retirement Villages)
- Home care
- **Permanent residential care**
- End of life care (Palliative care)
- Short term care (Respite care)



Your decisions will have long-term impact on your lifestyle!

The aged care steps

- ACAT assessment (Aged Care Assessment Team)
- Finding an aged care home (add name to the waiting list)
- Structure finances
- Fees & charges
- Application
- Resident Agreement
- Move in



Aged care fees

Permanent residential care

Entry fee



Ongoing residential aged care costs

Costs	
Basic daily care fee	<ul style="list-style-type: none"> • Covers living costs e.g. meals, electricity, cleaning services and laundry • All residents are asked to pay this fee
Means-tested care fee (MTF)	<ul style="list-style-type: none"> • Dependant on assessable income and assets • Annual cap \$25,939.92; Lifetime cap \$62,255.85 • RAD assessed • Home assessed up to cap limit \$159,423.20
Extra service fee	<ul style="list-style-type: none"> • Varies between facilities opt in/out options or user pays
Daily accommodation payment (DAP)	<ul style="list-style-type: none"> • If the refundable accommodation payment is not paid • Covers the room and access to amenities

Means-tested care fees (MTF)

Means-tested fee is calculated by adding the income and asset tested amounts

Incomes test contribution	+	Assessable assets	Percentage assessable
50% assessable income over income free area		First \$46,500	0%
Income free area is Single: \$25,711.40 pa Couple (each): \$25,243.40 pa		\$46,500 to \$159,423.20	17.5%
		\$159,423.20 to \$385,269.60	1%
		Over \$385,269.60	2%

- Assessable asset includes:
 - Home capped at \$159,423.20 pp (unless protected person resides there)
 - RAD paid
 - Financial investments

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Most common funding options

- Investments
- Selling home
- Family
- Reverse mortgage

- Common scenario:
 - Single retiree moving to aged care
 - Family home
 - Minimum cash assets
 - Aged care provider asks for a lump sum accommodation fee that is more than the cash assets available

What to do with the family home?

- Complex area with no single solution
- Things to consider include:
 - If the home is not sold, who will maintain it?
 - Centrelink treatment
 - Real estate market
 - Tax considerations
 - Estate planning
 - Personal feelings

Family home treatment

	Centrelink		Aged care	
	Assets test	Income test	Assets test	Income test
Occupied by spouse	Not assessed	-	Not assessed	-
Occupied by protected person [1]	Home assessed after 2 years from entering aged care			
Otherwise not rented (e.g. vacant)				
Rented out family home - RAD fully paid upfront		Rent assessed	Home assessed up to \$159,423 cap	Rent assessed
Rented out family home - outstanding DAP	Not assessed			Rent assessed

[1] Spouse or dependent child living in the home, or in certain circumstances a carer or close relative living in the house

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Strategies, tips and traps

- Refundable accommodation deposit (RAD) balance will be exempt for Centrelink purposes
 - However RAD will be counted as an asset for means tested care fee
- Means-tested care fee may be lower if home is kept
 - A portion of the former home will be counted as an asset (versus the entire proceeds if the home is sold)
- Negotiating a daily accommodation payment (DAP) will allow flexibility in exempting the principal home
- Long term annuities, insurance bond within family trust, gifting, funeral bonds remain effective

Strategies, tips and traps

- Couple entering care – enter one at a time
- Net medical expense tax offset (NMETO) continue to be available for out of pocket medical expenses relating to aged care until 30 June 2019.
Residential aged care fees which are considered medical expenses include
 - DAP
 - Basic daily fee
 - Means tested care fee
 - Extra services fees
- Potential loss of age pension if home is assessed after 2 years

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What is estate planning?

- To ensure your wealth passes to the right beneficiary, at the right time, in a tax effective manner
- Wealth is held in a variety of ownership forms and each person's estate planning objective is different
- Failure to plan well may result in...
 - A reduction in the wealth passed onto intended beneficiaries
 - Unnecessary tax liabilities
 - Benefits passing to the wrong beneficiaries

Common factors to consider

- Will
 - Legal document that deals with estate assets

- Enduring Power of attorney
 - Legal document which allows you to appoint a person to make financial decisions on your behalf should you lose mental capacity

- Enduring guardianship
 - Legal document which allows you to appoint a person to make personal and lifestyle decisions on your behalf should you lose mental capacity

- Advance health directives
 - Legal document which you can express your wishes about medical treatment and how you like your body to be dealt with in the event of an accident

Summary

- Aged care planning is complicated – seek professional advice
 - Aged care costs
 - Protecting assets
 - Estate Planning
 - Centrelink entitlements
 - Retaining the home
 - Emotional issues
- Plan in advance
 - Retention of home
 - Restructuring assets prior to assessment
 - Review Estate Plan

***Look at your overall situation
i.e. income, tax, estate planning etc***

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Thank you