

Aged care – making an informed decision

1 January 2015

It can be difficult to plan, both financially and emotionally, for the move into an aged care facility. When the time comes you may find yourself being confronted with a complex range of questions and decisions.

Seeking financial advice from an aged care specialist during this time can ensure that the decisions that you and your family make will be the right decisions, whilst taking into consideration the impact to your financial situation, age pension entitlement and aged care costs. Making the wrong decision could result in a loss of age pension, increased aged care costs and a reduced estate to be passed on to the next generation.

This flyer will assist you with understanding the fees that may be payable within a subsidised residential aged care facility, such as paying an upfront accommodation payment, on-going accommodation costs, living expenses and the cost of care. It is important that you seek advice to avoid the pitfalls associated with these decisions.

First steps

Ability assessment

To be eligible to enter an aged care facility, it is first necessary for a resident to undergo an assessment of their physical and mental ability by the Aged Care Assessment Team (ACAT).

This assessment will generally occur once a referral has been received from a general practitioner. Based upon the results of the assessment, ACAT will determine whether the client requires home care or residential aged care.

Financial assessment

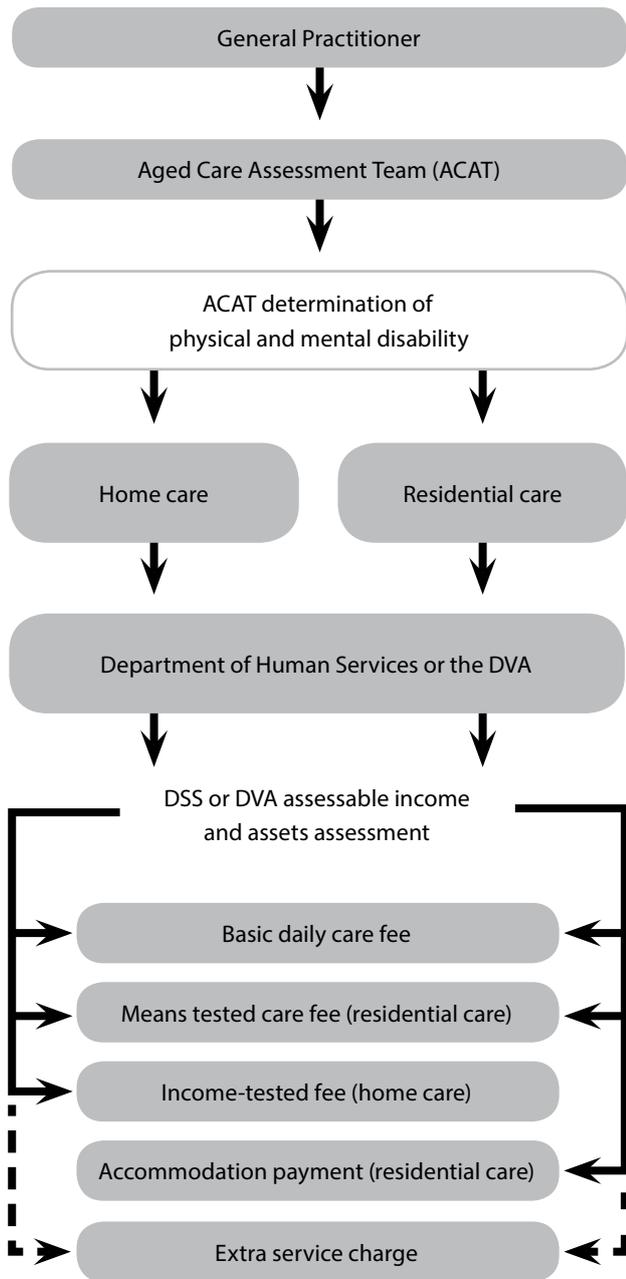
Once the ACAT assessment has been completed and the required level of care is established, the Department of Human Services (DHS) or Department of Veteran Affairs (DVA) will assess the resident's ability to pay fees for aged care accommodation and services.

Residents have 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 the resident's current financial position.

The financial assessment will take into account the amount of income and assets that the resident has at the time that they enter aged care accommodation. It is important to note that failure to complete the form may result in the client being charged higher fees across the different categories.

Your financial adviser can help you to complete this form. They can also tell you if it is worthwhile to delay completing the form when negotiating the aged care fees upon entry into the aged care facility.





Types of fees

Aged care homes charge a range of fees to cover care, accommodation costs and living expenses. These can vary enormously between facilities and from resident to resident. You may be charged for the care and services provided as follows:

- Basic daily fee – as a contribution toward accommodation and costs of daily living.
- Means tested care fee – as a contribution towards the cost of care.
- Accommodation payment or contribution – as a contribution towards capital accommodation costs
- Extra service fees – where extra services apply to residents occupying extra service places for the provisions of a higher standard of accommodation services and food.

It is important that consideration is given to how a resident’s assets and income are structured as this can have a direct impact on the amount of fees that they will be asked to pay upon entry and in the future. However, the level of daily fees and accommodation payments can be negotiated with the aged care providers.

Basic daily fees

Residents in aged care can be asked to 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 for all permanent residents who enter an aged care home is 85 per cent of the annual single basic age pension. This is the maximum fee for all residents.

	Maximum per day
Resident contribution	\$47.15

The basic daily fee is indexed on 20 March and 20 September each year in-line with the indexation increases to the age pension.

Means tested care fee

Residents in permanent aged care may be asked to pay a means tested care fee in addition to the basic daily fee. Residents with total assessable assets plus income above the maximum accommodation supplement may be asked to pay a means tested care fee.

There are annual and lifetime caps that apply to the means tested care fee, as follows:

	Caps
Annual cap	\$25,349
Lifetime cap	\$60,838

Note: The basic daily fee does not count towards these caps.

Accommodation payments

Residents with sufficient assets and income may be asked to pay an accommodation payment. The Government sets the minimum assets a person must retain when establishing the amount the person can pay towards their accommodation. A person cannot be charged an upfront accommodation payment amount that would leave them with less than the minimum asset amount.

Minimum asset amount	\$45,500*
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* Per person for a couple and excludes the family home if a spouse remains within the home.

There are a number of payment options for the accommodation payment. The accommodation payment can be paid as a:

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

Where accommodation payments are payable, the amounts and payment methods can vary – they can be negotiated with the aged care provider.

If the resident chooses 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 maximum interest rate charged is determined by the Government and the maximum permissible interest rate for all new residents entering care between 1 January 2015 – 31 March 2015 is 6.75 per cent.

The lump sum accommodation payment paid is guaranteed by the Government and will generally be refunded to the residents or their estates within 14 days of leaving the aged care facility or within 14 days of receiving probate and duly completed request.

Did you know?

Paying at least part of your accommodation via a periodic payment and renting out your former home could deliver a better outcome than selling it. The overall benefit may be reduced aged care fees and maximising your age pension entitlement. Speak to your financial adviser before acting. Refer to 'Keeping and renting the family home' overleaf for more information.

Extra service fees

Some aged care facilities provide extra services which can be offered across the whole facility or to a designated part. Extra service means that the facility will provide the residents with a higher standard of accommodation and/or services.

The higher standard of accommodation and/or services will be paid for in the form of an extra service fee.

Please note: The choice to offer extra services is not mandatory for aged care facilities.

It is essential to check whether the aged care facility offers extra services and what costs are involved.

It is essential that you understand that extra services does not mean that you will be provided with a higher level of care (such as nursing), because all homes have to provide the same level of care to the other residents. Some examples of extra services could be a bigger room, a wider choice of meals or wine with meals.

Accommodation and services vary from one facility to another, so you will need to check with the provider to find out whether they provide extra services and if so, what are the costs involved.

Enduring power of attorney

If you wish a member of your family or close relative to obtain information from financial institutions to make financial decisions about your financial affairs, that person will need to be granted a power of attorney. A power of attorney allows this person to act on your behalf under law.

Your financial adviser will be able provide you information on how to establish this document.

Keeping and renting the family home

Retaining and renting the family home can provide an exemption for social security purposes, provided you:

- have not paid an accommodation payment in full, and you are paying interest on the outstanding amount of the accommodation payment via periodic payment, and
- have rented out your former family home.

If these criteria are satisfied, the asset value of the former family home and the income (rent) will be exempt from age pension assessment. For the means tested care fee, a capped value of the home is included in the assets test but the rent is excluded from assessment. When retaining and renting the former family home, it is important to consider the income tax impact (as the rental income is assessable for tax purposes), the capital gains implications and whether renovations are required.

Conclusion

Ensuring that you make the right decisions about aged care will depend upon a multitude of factors. Speak to your financial adviser who can help you make the right financial decisions.

For more information, please call DMFS Financial Advisers on 1300 364 650.



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