Your essential guide to Aged Care

This guide is designed to provide answers to the most frequently asked questions about aged care
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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 are made up of doctors, nurses, social workers and therapists; they 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 (HCPs), 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 ACAT by their doctor but you are free to make contact with ACAT yourself.

Rest assured 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 the website [www.myagedcare.gov.au](http://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, Home and Community Care (HACC) services, a Home Care Package (HCP) or a combination. The costs for private carers and HACC 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. A lifetime limit* of $60,838.12 applies to the income-tested care fee and means-tested care fee (if you subsequently move to an aged care facility).

Full pensioners will not be liable for an income-tested fee, part pensioners will contribute up to $5,069.84 p.a. while self-funded retirees will contribute up to $10,139.68 p.a.

All Home Care Package recipients will pay the basic contribution, calculated at 17.5% of the pension.

*Annual and lifetime limits are indexed. Figures correct as at 20 September 2014.
Residential Aged Care fees and charges

RAD (lump sum)

or

DAP (daily charge)

or

part RAD & part DAP

or

DAP deducted from a RAD

Covers the cost of accommodation

Basic daily care fee
Covers daily living costs such as meals, heating/cooling, laundry

Means-tested care fee
Contributes to the cost of care

Extra service or additional service fee
Covers "extras" such as wine and hairdressing

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

*Annual and lifetime limits are indexed. Means-tested care fees are capped at $25,349.21 annually and $60,838.12 over the lifetime. Figures correct as at 20 September 2014.
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 charge (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 RADs in excess of $550,000 need to be approved by the Aged Care Pricing Commissioner.

The Daily Accommodation Payment is calculated from the Refundable Accommodation Deposit amount at a government set interest rate. As at 20 September 2014 the rate was 6.69%.

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.
What are daily care fees and means-tested care fees?

The Basic Daily Care 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 $25,118.60 p.a. (single), $24,650.60 each (couple) **plus**
- 17.5% of value of assets between $45,500–$155,823.20 **plus**
- 1% of value of assets between $155,823.20–$376,469.60 **plus**
- 2% of assets above $376,469.60.

*As at 20 September 2014.

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.
Your former home will be assessed at a value of $155,823.20 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 and is capped at $25,349.21 annually (indexed).
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.

There are two types of supported resident: those with assets and income below the minimum thresholds are fully supported residents and don’t pay an accommodation payment. People with assets and income above the minimum amount but below the upper thresholds pay a calculated amount of accommodation payment or charge.
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 supported 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?

Many people assume they will have to sell their former home to fund the move to aged care. While this may be the right decision it is important to understand the special exemptions that can be applied to your former home and any rent you may receive.

There is a general exemption that will exempt the value of the house from the calculation of your pension entitlement for two years from the date you or your partner move out.

Other rules that can apply enable you to keep and rent your former home with a number of exemptions applying to the asset and income (rent).

To do this you must rent the home and:
– Pay a Daily Accommodation Payment or
– Pay a Daily Accommodation Contribution.

Where these criteria are met the former home and any rent received is exempt from the following calculations:
– Pension entitlement under the income test
– Pension entitlement under the asset test.

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 sale of the house may be assessed for Capital Gains Tax.
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 impact on 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:

- pension entitlement
- cost of care itself
- 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 or another financial arrangement may be better suited to you and your family.

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
- determining your entitlement to a Government pension and other benefits
- discussing the options for meeting your aged care costs
- providing you with 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

Claudia on 0419 319 386
or email
claudia@agedcsv.com.au
or
Robert on 0417 343 392
or email
robert@agedcsv.com.au

Additional information

For access to online retirement and aged care directories, the latest Department of Social Services Fees and Charges and other useful resources log on to:

www.agedcarewhocares.com.au

ABN 45 118 580 846
P.O. Box 4120 Eaglemont VIC 3084

This advice is of 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 a financial adviser to take into account your particular investment objectives, financial situation and individual needs.

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