

Aged Care Solutions

Your 5 Step Guide to taking control

When considering Aged Care options for yourself or for someone you care for, there are many questions that need to be answered. What options do I have? Which Aged Care facility should I choose? How much will it cost? Where will the money come from? Who can help me make key decisions?

This guide will help you get started, provides answers to key questions and enables you to take control and put in place the right solutions.



Five Simple Steps

- 1 Assess your options
- 2 Choose an Aged Care facility
- 3 Work out how much it will cost
- 4 Lodge the applications and negotiate fees where possible
- 5 Organise your finances

1

Assess your options

As we live longer, Aged Care is something that we need to plan for – whether it is for ourselves, a relative or an older friend. To make the transition easier, it's important to start researching the options that are available – whether it is getting extra help around the house to maintain independent living at home through to moving into a purpose built aged care facility.

It is important to involve others in the process. This may be your spouse or one of your children or if you are helping your parents or another loved one, it is important to spend time with them working through the various issues. This enables the right level and mix of services to be put in place and helps ensure peace of mind.

Getting an ACAT assessment

To access most Government funded community care services and aged care homes, you will need to be assessed by the Aged Care Assessment Team (ACAT) to determine what level of care is appropriate. As part of the assessment, an ACAT professional, usually a doctor, nurse, social worker or other health care professional, will come and talk to you about your general health and how well you are coping with day to day life.

Getting the assessment is easy and there are a number of ways you can arrange one:

- Ask for a referral from your doctor, community nurse or social worker.
- Call the Aged and Community Care Information Line on 1800 200 422 or visit their website on www.seniors.gov.au
- Visit the Department of Health and Ageing website and use their ACAT Finder to locate an Aged Care Assessment team that services your area on www.health.gov.au

ACAT will also provide you with information about the services which are available in your area.

2

Choose an Aged Care Facility

The next step is to choose an appropriate Aged Care facility that best meets your needs. There are a wide variety of facilities available. In some ways it is like purchasing a home. You may require certain features that fit in with your lifestyle. These will generally come at a cost and you may need to make compromises.

The website www.agedcareguide.com.au provides a comprehensive list of facilities around Australia. You may need to visit several Aged Care facilities before you find one or more that you are comfortable with. You should also examine who operates a particular facility and find out as much as you can about the operator. After conducting your site visits, make a short list of at least three preferred facilities.

In choosing a facility you will need to consider three main factors – the level of care required, lifestyle factors and financial factors.

The level of care required

Low level care – provided by Hostels. These facilities provide personal care, accommodation and some level of nursing care. They are generally a unit in a bed-sit arrangement with a shared dining room and recreational facilities.

High level care – provided by Nursing Homes. These facilities provide 24 hour nursing care and accommodation. Nursing homes generally provide meals, toiletries, mobility aids and most medical supplies.

All residential aged care facilities are required to provide appropriate staffing to meet the nursing and personal care needs of those being cared for, meals and cleaning services plus furnishings, furniture and equipment relevant to the level of care provided. It is important to consider the reputation of the provider of a facility.

Lifestyle Factors

These may include:

- The level of facilities on offer, for example, recreational facilities and social activities.
- Proximity to family members.
- Care options that are available if your health deteriorates or you have a particular medical condition.
- Who operates the facility. Some Aged Care facilities are run by church based organisations which may be an important consideration when choosing a facility.
- Whether or not you come from a Culturally and Linguistically Diverse (CALD) background which requires aged care services which are aligned to your cultural, spiritual, dietary and linguistic needs.
- Whether or not you require additional services. These might include units with ensuite bathrooms, a higher standard of food and other amenities and services. These extra services will attract a higher fee and an Aged Care facility which provides these services is designated as an Extra Service Facility.

Financial Factors

When researching a suitable facility it is important to know what fees you may be required to pay and if there is any ability to negotiate these fees. The fees payable are discussed in more detail in Step 3.

3 Work out how much it will cost

The type of fees that you are required to pay will depend on the level of care you require, your assets and any extra services you may request. The main fees are as follows:

1. Accommodation Bond

This is a lump sum fee paid by all people entering a hostel (low care facility), or a nursing home which is approved to provide Extra Care Services. The amount of the Accommodation Bond will vary from facility to facility and is based on a range of factors including a person's level of assets at the time they enter the facility. The cost of the Accommodation Bond is generally negotiable and the Government sets no upper limit on the amount. However, when determining the amount payable, the facility must leave the person with assets of at least \$43,000.

The Acclamations Bond is essentially an interest free loan to the facility to fund construction, renovations and other services provided to residents. The bond is Government guaranteed and is returned, less a retention amount, within 14 days of the resident leaving the facility or a grant of probate being made when the resident passes away. The facility can deduct a retention amount from the bond each year of \$3,876 for the first five years up to a maximum amount of \$19,380.

Instead of an upfront lump sum payment, the bond may also be paid periodically to the facility or by a combination of lump sum and periodic payments. The periodic payment is an agreed amount that includes an interest payment to compensate the facility for not having the lump sum amount to use. Each quarter, the Government sets the maximum interest rate a facility can charge and the interest rate for the quarter ending 30 June 2013 is 6.95% per annum. Once the interest rate has been calculated for a resident it does not change. If a resident pays at least part of their bond by periodic payment and continues to own their own home, the value of the home and any rental income are treated favourably for Centrelink means testing purposes. See Step 5 for further information.

2. Accommodation Charge

An Accommodation Charge applies where an accommodation bond is not payable. The Accommodation Charge is a regular fee payable (usually monthly) to a nursing home (ie a High Care facility), except those nursing homes which provide Extra Care Services (where an Accommodation Bond is payable). The Accommodation Charge is determined when a person enters the facility and is dependent on their level of assets. Once set, it does not vary even if the person's financial circumstances change and the charge is not indexed to the Consumer Price Index. The maximum Accommodation Charge is currently \$33.29 per day (from March 2013)

Like the Accommodation Bond, the Accommodation Charge and frequency of payment can be negotiated between the nursing home provider and the resident. The nursing home cannot ask for payment of more than one month in advance. Financial strategies which lower a person's assessable assets below a particular threshold (currently \$112,243) or allow them to receive a small Age Pension can lower the Accommodation Charge.

3. Basic Daily Fee

This fee is paid by all residents of an Aged Care facility (whether high or low care) as a contribution towards the cost of daily living such as meals, cleaning, laundry and heating. The standard fee is 85% of the annual rate of the basic single Age Pension currently \$44.54 per day. Those who entered an Aged Care facility prior to 20 September 2009 may benefit from a number of grandfathered Government provisions which reduce their Basic Daily Fee.

4. Income Tested Fee

When a resident becomes permanent in either a low or high level Aged Care facility, an additional fee may become payable based on the resident's Centrelink assessable income. Residents who receive the full Age Pension do not pay this fee. The fee is subject to a cap which is currently (from 20 March 2013) \$70.74 per day for all resident types. A resident's income tested fee cannot be greater than the cost of their care.

5. Additional Daily Fee

Where an Aged Care facility is approved as an "Extra Service Facility" because of the additional amenities and services they provides, they can charge an additional daily fee (on top of the Income Tested Fee) for these services. Where a high care facility begins to offer these services, their existing Accommodation Charge will not change. The resident will simply commence paying the fee for the additional services.

4

Lodge the Applications and negotiate where possible

Demand for Aged Care facilities is generally high, so make sure you lodge applications with a few of your preferred facilities.

An Aged Care facility makes offers to potential residents as places become vacant. Each facility, in order to gain access to Government funding, must give access to a minimum number of 'supported residents'. Supported residents are people who have assets of less than \$43,000 who are not required to pay an Accommodation Bond. Whilst it may be possible to legitimately reduce a person's level of assets down to a level below this threshold, the number of places available to 'supported residents' may be minimal.

The Aged Care facility can decide whether or not to accept an offer and will take into account the person's needs, their ability to cater for them as well as commercial factors. If you are accepted into a facility, you should notify any other providers with whom you have lodged an application.

5

Organise your finances

For many people the family home is their major asset. There are a number of both emotional and financial factors to take into account when deciding whether to sell or retain the family home. It is also important to understand how this decision will impact your Aged Care fees and Centrelink entitlements. This important decision often needs to be made when deciding to enter an Aged Care facility.

Some important information about the Family Home and Means Testing

The family home is exempt from the Centrelink Assets Test and the Aged Care means test in the following circumstances:

- Where the home is retained after the owner enters an Aged Care facility and it is kept untenanted – it is excluded from the Centrelink Assets Test for a two year period.
- Where it is occupied by a spouse or dependent child, or by certain other eligible persons.

Importantly, if the home is rented out and the resident is paying (or has deferred to pay) an accommodation charge, the value of the home and the rental income is exempt from the Centrelink and Aged Care means test. This also applies where a resident enters a hostel and pays some or all of their accommodation bond by periodical payment. This can result in an indefinite exemption of the family home from the Centrelink and aged care means test.

Gifted Assets and Means Testing

When assessing Aged Care fees, assets gifted away after 10 May 2006 in excess of \$10,000 in a single financial year or \$30,000 over five financial years will be included.

Investing to maximise your benefits and potentially lower your Aged Care fees

Once you have selected an appropriate Aged Care facility and negotiated the fees, you will now be in a better position to start reviewing your future cashflow needs. You should keep in mind the following important points:

- Developing a budget of regular expenses is helpful to determine if you are living within your means.
- When investing assets you should ensure that you have a mix of investments that provide regular, secure income and some capital growth.
- Some income friendly investments (eg: certain types of annuities) are treated more favourably for means testing purposes. In addition, an investment in a funeral bond up to prescribed limits is not counted for asset test purposes. These strategies may result in a greater Age Pension and lower Aged Care fees.
- If you find that your Age Pension is reduced due to your level of assets and income, you should seek financial advice to see if there are ways you can restructure your investments to receive a higher Age Pension. This advice may also assist in reducing your overall Aged Care fees. In some cases, if you are a self-funded retiree, a small change in your investments may provide you with some Age Pension which will entitle you to a wide range of ancillary benefits.
- You should make sure that you claim all benefits to which you are entitled eg: the medical tax offset.
- As both legislation and investment markets change, you should review your situation at least annually to ensure that you are receiving everything you are entitled to.

Estate Planning Considerations

You should ensure that your Estate Planning needs are up to date before entering an Aged Care Facility.

It is important to ensure that you have a current Will to avoid the problems of dying intestate (that is, without a valid Will). Each State has a statutory system for dividing your assets between your dependants, which may not be according to your wishes or if the best interests of your surviving family in regards to tax and other financial considerations.

It is also important to put an Enduring Power of Attorney in place. This gives another person the authority to manage your legal and financial affairs in the event of your incapacitation. They will be able to make financial decisions on your behalf, for example, disposing of assets, such as a house or operating your bank account.

Next Steps

This Aged Care Solutions guide is designed to help you understand the steps you need to take to take control and make informed decisions. Everyone's circumstances are different, so it is important you put in place a plan which meets your needs.

Money Solutions can provide you with valuable, personal advice in relation to your Aged Care needs. Our role is to work with you to understand your needs and objectives and to put in place a tailored plan. We can help you with key decisions and ensure that you make the most of your finances and receive all that you are entitled to.

In some cases, this advice can be provided over the telephone or if you have more complex needs, we have financial planners around Australia.

To find out more, contact 1800 193 937.

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