



# AGED CARE

EVERYTHING YOU NEED TO KNOW



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# AGED CARE

## *What you need to know*

*Whether considering options for yourself or deciding how best to help someone close to you, aged care is a complex area requiring careful thought. The uncertainty surrounding where to move, how much it will cost and where the money will come from can be overwhelming and stressful.*

This guide provides the basics. You will understand the steps you need to take, where to find answers and how your financial adviser can help you make an informed decision.

There are typically three steps you need to take before moving in to an aged care facility.

### **STEP 1: Approval**

Before entering an aged care facility your health must be assessed to determine your eligibility for care. The assessment can be performed by any doctor, nurse or social worker who is a member of an Aged Care Assessment Team (ACAT, or ACAS in Victoria). You can visit [myagedcare.gov.au](http://myagedcare.gov.au) to request an assessment.

### **STEP 2: Find A Home**

To make sure you find a home that you are comfortable in and that will suit your needs, you may like to visit a few different places. You can apply to as many homes as you like. The accommodation costs for all aged care facilities are published on the Government's aged care website [myagedcare.gov.au](http://myagedcare.gov.au). This website also provides description of the rooms and services available at the facility.

### **STEP 3: Organise Your Finances**

On entry to a facility, you will be required to pay an accommodation contribution or accommodation payment. Some people will have their accommodation costs met in full or part by the Government, while others will need to pay the accommodation price agreed with the aged care home. The Department of Human Services (DHS) will advise which applies to you based on an assessment of your assets and income.

There will also be a basic daily fee to pay and there may be a means-tested care fee which is determined by your level of income and assets. Some facilities offer you a higher level of service or a higher standard of accommodation or food for an additional daily fee.

Your financial adviser can help with the decisions you need to make and which strategies are best suited to your circumstances. They can also help you keep your plans on track with an annual review, in case your circumstances, or external factors such as legislation, change.

#### **ACAT Assessment**

#### **Find A Home**

Consider what is important to you in a home. You may like to visit a few.

#### **Accommodation Contribution**

You may be required to pay part of the cost of your accommodation and the Government will pay the rest.

#### **Accommodation Payment**

You pay for the full cost of your accommodation.

#### **Basic Daily Fee Means-tested Care Fee Additional Daily Fee**



## HOW YOUR ADVISER CAN HELP

My question is...	What do I need to do?	How can my adviser help?	Who else can help?
<b>What upfront costs will I need to pay?</b>	Understand if there is an accommodation payment payable and determine what assets you can use to meet the cost.	Your adviser can help you determine how to pay for your accommodation. This may involve a lump sum payment, regular instalments or a combination of both.	DHS (Centrelink) assess your income and assets
<b>How much will I pay for ongoing care?</b>	Determine which ongoing fees apply to you. This could include the basic daily fee, a means tested care fee and any additional daily fees.	There are strategies to minimise the fees you pay. Keeping or selling your home often forms part of the strategy as does how you invest. A poorly executed plan can result in a lower Age Pension and higher aged care costs.	The aged care facility and Centrelink can assist in determining your fees.
<b>Can I keep my home or is it better for me to sell it?</b>	Understand the various options available to you regarding your primary residence.	Your adviser can explain what to consider if you are thinking of keeping or selling the family home. If kept, they can discuss strategies to pay the agreed accommodation costs and explain how the family home will be treated for social security and aged care purposes. If sold, they can also help identify the best way to invest the proceeds and get the balance right between generating an income, maximising the Age Pension and minimising aged care fees.	Your financial adviser can help you to understand your options.
<b>How do I maximise my social security benefits?</b>	Determine how the social security Income and Assets Tests apply to you.	Your choice of investments may help you to access or retain benefits, including the Commonwealth Seniors Health Card.	Centrelink determines your eligibility for Government benefits
<b>How can I afford to pay for ongoing care?</b>	Determine if your capital can be invested to provide enough cash flow to meet ongoing care costs.	Your financial adviser can assess your investment options and help you maximise your income.	Your financial adviser is best placed to help you understand your options.
<b>Will I have something to leave for my family?</b>	Consider which assets you would like to form part of your estate and those that would go directly to a beneficiary.	Your financial adviser can help identify what assets form part of your estate and ensure relevant beneficiary nominations are used.	Your lawyer can ensure you have a will that reflects your wishes.
<b>How much tax will I need to pay?</b>	Identify what tax offsets are available and which apply to you. You also need to be aware of any issues that may arise if you sell your home or change your investments.	An overall review of your situation will identify the various tax offsets that may be available to you, including the low income, seniors and net medical expense offsets. A tax adviser can also flag issues concerning land tax and capital gains tax that may affect you.	Your tax adviser/accountant is best placed to advise on your tax position.

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# AGED CARE

## STEP 1: Approval

*Whether considering options for yourself or deciding how best to help someone close to you, aged care can be a complex area requiring careful thought. To help you obtain the best outcomes, these guides will take you through the process of applying for, receiving, and paying for the aged care services most suitable for you or your loved one.*

In this guide we will look at getting started on the track to accessing Government subsidised aged care. You will understand the assessments required to determine whether you, or your loved one, is eligible to receive agedcare.

### APPROVAL

More Australians are using aged care services each year. Whilst it may seem daunting at first, the aged care system has improved significantly over the last few years, with a strong focus on ensuring help and resources are available to help you every step of the way.

You can access aged care services through a non-government subsidised provider of aged care anytime. However, if you wish to access government subsidised aged care, the first step involves an assessment. This assessment will help identify the type of services you may be eligible for.

### THE ASSESSMENT PROCESS

An assessment will be completed to work out your care needs and identify the type of support you may be eligible for. This is a free service which you can start by calling My Aged Care (the Government service for aged care) on 1800 200 422.

During the call, a client record will be created to register you with My Aged Care. To create this record, you will be asked about your current needs, any aged care services you may already receive and the results of any prior assessments.

They will seek to find out more information about how you are managing around the home, any health concerns you may have, and any support from family or friends you receive. Openness and honesty will ensure they can fully understand your care needs.



## ACAT/ACAS or RAS Assessment

An assessment is provided by a local assessor from an Aged Care Assessment Team or ACAT.

In Victoria, this service is provided by an Aged Care Assessment Service or ACAS. Depending on your health needs, an assessment may otherwise be provided by a Regional Assessment Service or RAS.

If you have been referred for an assessment, an assessor will contact you to arrange a time that suits you best to come and visit you in your home. To make sure the assessment is effective, there are a few things to prepare before the visit:

- your Medicare number
- a copy of any referrals from your doctor
- any information you already have about aged care services that you may want to discuss with the assessor
- your GP or other health professional's contact details
- information on any support you currently receive.

If you would like a family member, carer, or friend to be with you during the assessment, just let them know the time and date you have agreed with the assessor.

## What happens during the Assessment?

The assessor will have a record of all the information you provided during your initial phone call, and will look to increase their understanding of your needs by asking some more questions about:

- what support you already have and if that will continue
- your health and lifestyle, and any health concerns
- if you have problems with your memory
- how you are going with daily tasks and activities around the home
- any issues with home and personal safety.

You can ask questions of your own, such as what services are available and whether there are any service providers in your area.

Working together, you will develop a support plan that includes your strengths, difficulties, goals and preferences for your aged care services.

## After the Assessment

Your assessment will determine your eligibility to access services at home or in a residential aged care facility. If you are assessed as eligible to access services, you will receive an approval letter and support plan that sets out the services you are approved to access. If you are not approved to access services, you will receive a letter stating why and who to contact for more help.



## AGED CARE

### STEP 2: *Types of Aged Care Available*

Whether considering options for yourself or deciding how best to help someone close to you, aged care can be a complex area requiring careful thought. To help you obtain the best outcomes, these guides will take you through the process of applying for, receiving, and paying for the aged care services most suitable for you or your loved one.

This guide will look at the type of aged care available, depending on the outcome of your assessment. From entry-level care at home, to 24-hour support in a residential aged care facility, each stage of support is designed to help you live as independently as possible.

#### **TYPES OF AGED CARE AVAILABLE**

After your ACAT/ACAS or RAS assessment (read more about this in our first

Aged Care flyer, Step 1: approval), an approval letter will be provided which will identify the type of aged care services you are eligible for. Whilst your health needs are likely to increase, the key focus of this support is to help you live independently for as long as you can.

#### **COMMONWEALTH HOME SUPPORT PROGRAM**

You may have been approved for the Commonwealth Home Support Program (CHSP). It is an entry level program for older people who need basic assistance with daily tasks to live independently at home.

You are expected to contribute to the cost of your care if you can afford to. Also, you will need to discuss and agree to any fees with relevant service providers before you receive aged care.

#### **Types of CHSP Services Available**

The types of services you can receive under a CHSP include:

- Domestic assistance with household jobs like cleaning and laundry.
- Social support with activities in a community-based group setting or accompanied activities.
- Meals and food services - shopping for groceries, the preparation of meals or delivering meals to your home.
- Allied health support services – physiotherapy, podiatry, speech pathology, occupational therapy, advice from a dietician or other allied health and therapy services.

#### **Finding a CHSP Provider**

Visit the Government's My Aged Care website ([www.myagedcare.gov.au](http://www.myagedcare.gov.au)) or phone 1800 200 422 to find CHSP service providers in your area. You can access a list of provider contact details to find out whether a particular provider can suit your needs, how much they cost, and how they provide their services.



## HOME CARE PACKAGES

You may have been approved for a home care package. There are four levels of home care package available, from a package providing basic care needs (level 1) to a package providing high level care needs (level 4).

Whilst there will be a subsidy that the government will pay towards your home care package (increasing with each package level), you will be expected to contribute to the cost of your care if you can afford to (read more about this in our third Aged Care flyer, Step 3: fees and funding).

### Types of home care services available

The types of services you can receive under a home care package include:

- Personal services - assistance with personal activities such as bathing, showering, toileting, dressing and undressing, mobility and communication.
- Nutrition, hydration, meal preparation and diet.
- Continence management: assistance in using continence aids and appliances.
- Mobility and dexterity.
- Nursing, allied health and other clinical services - speech therapy, podiatry, occupational or physiotherapy services, hearing and vision services.
- Transport and personal assistance - assistance with shopping, visiting health practitioners and attending social activities.
- Management of skin integrity - assistance with bandages, dressings and skin emollients.

### Finding a home care service provider

Visit the Government's My Aged Care website ([www.myagedcare.gov.au](http://www.myagedcare.gov.au)) or phone 1800 200 422 to find home care service providers in your area, based on level of home care package you have been approved for. You can access a list of provider contact details to find out whether a particular provider can suit your needs, how much they cost, and how they provide their services.

## RESIDENTIAL AGED CARE

You may have been approved for services in an aged care home. If you decide this is right for you, it will be helpful to visit these homes so you can see for yourself whether it will provide you with the support you want.

As you visit each aged care home, you may want to make a note of what you liked, didn't like, and whether you would be happy to live there. This will help you decide which home would be most suitable. There may be different fees associated with each home, and these are explained in more detail in our next guide, Step 3: fees and funding.

### TYPES OF RESIDENTIAL AGED CARE SERVICES AVAILABLE

Aged care homes can help you with:

- Day-to-day tasks (such as cleaning, cooking, laundry).
- Personal care (such as dressing, grooming, going to the toilet).
- 24-hour care under the supervision of a registered nurse.
- Accessing a variety of additional services such as physiotherapy (exercises, mobility, strength and balance) or podiatry (foot care).

### FINDING AN AGED CARE HOME

Visit the Government's My Aged Care website ([www.myagedcare.gov.au](http://www.myagedcare.gov.au)) or phone 1800 200 422 to help you find aged care homes in your area. You can access the contact details of homes plus find a description of their services, costs, and any areas of care speciality they can help with.



# AGED CARE

## STEP 3: Fees and Funding

When deciding how best to help someone close to you, aged care can be a tricky area to navigate, and requires careful thought. To help you obtain the best outcomes, this three-part guide will take you through the process of applying for, receiving, and paying for the aged care services most suitable for your loved one.

In this guide we will look at some of the costs involved in transitioning to permanent residential aged care.

### THE BASIC DAILY FEE

#### Cost: \$50.66 per day (as at 1 January 2019)

- Amount paid by a resident in a year: \$18,491

#### What is it?

The basic daily fee is used to cover the day-to-day expenses such as meals, laundry and cleaning etc.

Everybody entering residential aged care is expected to pay this fee.

Usually the aged care provider will ask this fee to be paid fortnightly or monthly, and to be paid up to one month in advance.

The basic daily fee is an amount equivalent to 85% of the maximum basic rate of the Age Pension for a single person. As the Age Pension rate indexes twice a year, so will the basic daily fee.

Find out more about the basic daily fee at [www.myagedcare.gov.au](http://www.myagedcare.gov.au)

### THE MEANS-TESTED CARE FEE

#### Cost: Between \$0 and \$27,232 (capped) a year (as at 1 January 2019)

Generally, a person with assets over \$204,000 can be asked to pay a means-tested care fee.<sup>1</sup>

#### What is it?

The means-tested care fee is a contribution towards day-to-day care costs in an aged care home. The amount payable depends on two components -

a combined income and assets assessment and the cost of the care for your loved one. However, there are annual and lifetime caps in place to limit the amount of the means-tested care fee they can be asked to pay.

### ACCOMMODATION COSTS

#### Cost: \$0 to \$550,000 (refundable accommodation deposit)<sup>2</sup>

- Average agreed price in major cities: \$424,000.<sup>3</sup>
- Average agreed price in regional areas: \$329,000.<sup>3</sup>
- Average agreed price in remote areas: \$279,000.<sup>3</sup>

#### What is it?

Each residential aged care home has different costs for living there. These can vary significantly dependent on location and status of the home. Your loved one may be asked to contribute to the accommodation costs.

They can pay the accommodation costs as a refundable lump sum, referred to as a refundable accommodation deposit (RAD), or in periodic payments, referred to as a daily accommodation payment (DAP). Or a combination of both.

If your loved one pays a RAD, this will be refunded to their estate when they vacate the care home.

The accommodation costs are negotiated between your loved one and the aged care home but cannot exceed the amount published by the facility on the Government website [www.myagedcare.gov.au](http://www.myagedcare.gov.au).

<sup>1</sup> Assessable assets as defined by the Aged Care Act 1997. Based on rates and thresholds as at 1 January 2019. This asset amount applies separately to both members of a couple. 8

<sup>2</sup> Aged care homes wanting to charge accommodation prices of more than \$550,000 as a lump sum, or as rental-style payments based on a daily rate, must have their prices approved by the Aged Care Pricing Commissioner. Aged Care Financing Authority | Annual Report on the Funding and Financing of the Aged Care Sector – 2018.

<sup>3</sup> Aged Care Financing Authority | Annual Report on the Funding and Financing of the Aged Care Sector – 2018



## Other costs

Other costs charged by the aged care provider should be advertised.

There are two types of extra fees:

- **extra service fees** for aged care homes with extra service status. These fees could be for higher standards of food, accommodation and hotel-type services.
- **additional fees** for other care or services that are in addition to those that the home must provide.

## Government assistance

If the value of your loved one's assets and income are below the Government's current thresholds, then the aged care will be subsidised by the Government. They will not have to pay an accommodation fee and will only have to pay the basic daily care fee. They may also be classified as being a low-means resident and will be assessed to pay either a Daily Accommodation Contribution, or a lump sum Refundable Accommodation Contribution, or a combination of both.

## HOW TO FUND RESIDENTIAL AGED CARE

There are many ways to help fund your loved one's residential aged care costs. These range from renting or selling the family home, to specialised investment solutions offered by financial service providers.

The best place to start is by having a conversation with a financial adviser. They can help you and your loved one navigate the complexities of funding aged care, leaving you to focus on finding the right aged care home or home care provider.



### CASE STUDY

#### Meet Jane

Jane is 86 and widowed. She was living on her own for some time after her husband passed away but has become frail with age. After researching her options with the help of her family,

Jane was assessed by an Aged Care Assessment Team (ACAT) as requiring residential care and found a suitable aged care home to move into.

#### The basic daily fee

This fee is paid by everyone entering residential aged care and is currently \$50.66 per day (as at 1 January 2019). Jane will therefore pay **\$18,491** a year.

#### The means-tested care fee

Jane has \$300,000 in term deposits, \$50,000 in cash and \$5,000 in personal effects. Therefore, Jane will pay a means-tested care fee of \$10,048 a year.

#### Accommodation costs

Jane's residential aged care home is advertised for **\$350,000**.

#### Total fees and costs

Jane will therefore need to fund a total of **\$378,539** in the first year.

This case study relates to a hypothetical person, Jane, and is provided for illustrative purposes only. It is based on information that is current as at 1 January 2019 unless otherwise specified and is provided by Challenger Life Company Limited ABN 44 072 486 938, AFSL 234670 (Challenger). It is intended to be general information only and has been prepared without taking into account any person's objectives, financial situation or needs.



# AGED CARE AND THE FAMILY HOME

*Using the family home to fund aged care can be a complicated decision, with many interdependent factors to consider.*

Working out what to do with your family home when you're getting ready to move into residential aged care is one of the biggest decisions you and your family can face. While some people are keen to sell their home once they no longer need it, or to sell the property to fund aged care accommodation costs, others choose to keep it and receive ongoing rental income from the property. There are pros and cons to both sides.

## PAYING AGED CARE FEES

When you move into residential aged care you may be required to pay an accommodation contribution or accommodation payment. These accommodation costs may be funded from the sale proceeds of the family home. If you choose to keep your family home, other funding strategies may be considered.

You will also need to pay ongoing care costs for as long as you remain in the aged care facility. This could include the basic daily fee, a means-tested care fee and any extra service or additional fees. Depending on your level of income and assets, these costs can vary.

## RENTAL PROPERTY MAINTENANCE AND COSTS

While you'll earn ongoing rental income from your property if you rent it out, you also need to consider the ongoing costs associated with maintaining the property,

such as having funds available for repairs and tenant management. And if your property is unoccupied for a while, you'll need to rely on other assets and sources of income to pay your ongoing care costs. You may also need to spend some money on the property before you rent it out to bring it up to a rental standard.

## TAX AND CENTRELINK IMPLICATIONS

If you rent out your family home, you may have to pay tax on the rental income you receive.

However, there are various tax offsets available – including the low income, seniors and pensioners and net medical expenses tax offset – that may reduce the amount of tax you have to pay. You or your family may also have to pay Capital Gains Tax on the property when it is eventually sold<sup>1</sup>.

Whether you keep or sell your family home, the decision may affect your Centrelink entitlements.

The Age Pension is worked out by an income and an assets test<sup>2</sup>. Your rental income will be assessed as part of the income test, and after the first two years your property will be immediately assessed under the assets test as well<sup>2</sup>. If you sell your home you won't have rental income or an investment property to reduce your entitlements, but the sale proceeds will come into consideration.

<sup>1</sup> [www.ato.gov.au/general/capital-gains-tax/](http://www.ato.gov.au/general/capital-gains-tax/)

<sup>2</sup> [www.humanservices.gov.au/individuals/services/centrelink/age-pension/eligibility](http://www.humanservices.gov.au/individuals/services/centrelink/age-pension/eligibility)



## SEEK HELP FROM AN EXPERT

*Making the decision to move into residential aged care is a major life decision, and the range of considerations can be overwhelming.*

*That's why it's a good idea to seek expert advice from a financial adviser who can help structure an aged care plan tailored for your unique needs and situation.*

## FOR MORE INFORMATION CONTACT



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