AGED CARE ADVICE

Refundable Accommodation Deposits (RADs) Explained

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Refundable Accommodation Deposits (RADs) Explained

For many people entering residential aged care the issue of lump sum RADs raises the most concern. In this guide we answer your questions about RADs to help you make well-informed decisions about your future.

WHAT IS A RAD?

A refundable accommodation deposit (RAD) is effectively an interest-free loan to an aged care service. It pays for your accommodation and entitles you to live in the aged care service.

DO I GET MY MONEY BACK?

Yes. The full amount paid is refunded to you or your estate when you leave. However, if you have allowed the aged care service to deduct any of your daily fees from the RAD the amount refundable is reduced by this amount.

HOW ARE RAD PRICES SET?

To set the RAD prices the aged care service may consider:

- the market price of property in the area, and
- the quality of the accommodation they offer.

The service may offer the same RAD for all rooms or charge different amounts for different rooms. In some cases the service may agree to a price lower than the published rate based on your level of assessable income and assets, ie your capacity to pay.

HOW MUCH CAN I EXPECT TO PAY?

The average size RAD can vary in city and regional areas. In cities and major regional centres it is not uncommon to see RADs in the vicinity of $350,000 to $550,000.

Services need government approval to charge more than $550,000. You are able to check the published RADs by going to the service's website or to the government site www.myagedcare.gov.au/ service-finders. The published rates are the maximum the service can ask you to pay.

DO I HAVE TO PAY A LUMP SUM?

No. When you check the websites you will see a lump sum RAD and how much this converts to as a daily accommodation payment (DAP). You can choose whether you want to pay the lump sum or the daily payment.

WHEN DO I NEED TO MAKE THE PAYMENT CHOICE?

Once you are offered a place you will agree on the amount of the accommodation payment. This is recorded in your Resident Agreement as a lump sum RAD and a daily payment (DAP). You will have 28 days after moving in to let the aged care service know which payment option (or combination) you are planning to use.

IS MY MONEY AT RISK IF A RAD IS PAID?

No. There are strict regulations concerning RADs and safeguards are in place. RADs are "M'l also government guaranteed (if the service is an approved service). In the unfortunate event that your service goes into liquidation and is unable to return your RAD, the government will step in and pay it to you. This has already occurred on several occasions.

WHEN IS MY RAD REFUNDED?

if you leave care, the RAD you paid (less any 1 daily fees deducted) will be refunded to you or your estate. If you have passed away, once M la your executor shows probate to the aged care service they have 14 days to refund the RAD. The service will pay interest from the date you leave care or pass away until the date it is refunded at the lowest deeming rate plus 2%.

WHAT DO RADS HAVE TO DO WITH ESTATE PLANNING?

A RAD can help protect your estate. If you are under pressure to release money to family members prematurely, a RAD can be beneficial as your money is tied up and not accessible to relatives until your passing when it can be returned to your estate.

CAN A RAD IMPROVE MY AGE PENSION?

RADs are considered exempt assets by Centrelink and Veterans' Affairs. This means that the money tied up as a RAD will not affect the amount of your age pension. However, it does count as an assessable asset when the calculation of your means-tested daily care fee is done. It is important to make sure that you have enough cashflow without access to the amount paid as a RAD to cover your fees and other personal expenses.

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