

A black and white photograph of a man and a woman standing on a grassy hill, looking out over a winding road that leads into the distance. The sun is low on the horizon, creating a strong lens flare and silhouetting the couple. The man has his arm around the woman's shoulder. In the foreground, the back of a convertible car is visible.

Advantage**ne**

Integrated Financial Services

JOURNEY THROUGH THE AGED CARE MAZE

YOUR FREE GUIDE

Age**CareDirections**



YOUR ADVANTAGE

Navigating the aged care maze can be daunting and complicated. In many cases a parent, loved one or friend needs to enter aged care suddenly and often without warning. This leaves people - who are in most cases highly emotional and stressed - with several big decisions to make, many of which relate to finances and appropriate accommodation choices.

It is essential for you to seek good professional advice as each case is different. Failure to make informed choices could lead to the loss of thousands of dollars in entitlements and, occasionally, the complete loss of pension income. It could also lead you to being placed in a residential care facility that is not of your choice.

Demand for aged care services in Australia is skyrocketing. The 2016-17 Report on the Operation of the Aged Care Act 1997 shows the ageing population and the increasing number of people with dementia are two main factors contributing to this demand.

In addition, in the 8th May 2018 recent government budget announcements from 1 July 2019 an additional 14,000 new Home Care packages will be released over the next 4 years and funding for 13,500 new residential care places were announced.



▼ CONTENTS

- 1 TYPES OF AGED CARE
- 2 THE PROCESS AND COSTS – INCLUDING FEES AND CHARGES SUMMARY
- 3 RESIDENTIAL CARE AND YOUR PENSION
- 4 THE FAMILY HOME – WHAT ARE MY OPTIONS?
- 5 GETTING SPECIALIST ADVICE AND CONTACT DETAILS FOR ADVANTAGE ONE

1. TYPES OF AGED CARE



This guide aims to help you navigate the aged care financial journey with clarity and is designed to answer some of the most common questions.

Residential care, or what many people describe as nursing homes, are the main focus of this guide. But there are several other living options for older people. Some of the different options include:

THE COMMONWEALTH HOME SUPPORT PROGRAM (CHSP)

This provides basic entry-level home support for people who have simple needs. The CHSP is aimed at helping those aged 65 and over to stay living independently in their own home, while receiving select services. The kinds of services funded by the CHSP include:



Meals and other food services



Transport and activities



Personal care



Nursing



Home maintenance

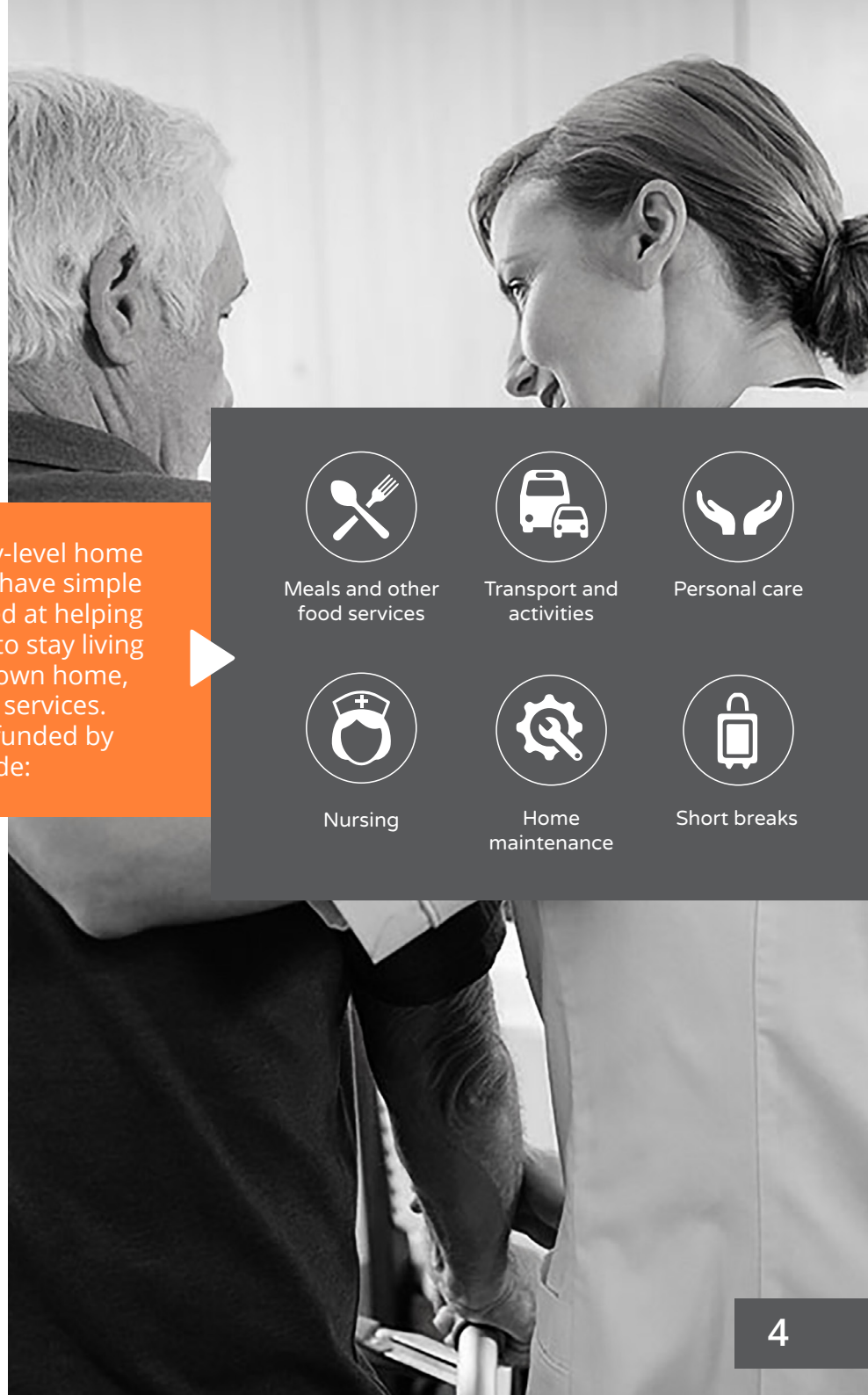


Short breaks

RETIREMENT VILLAGES

A common misconception about retirement villages is that they are the same as residential care facilities. Retirement villages are actually separate and do not attract the same kind of Federal Government funding associated with residential aged care facilities.

People who enter retirement villages do so voluntarily. It is usually a lifestyle decision and one which is made at their own expense. Buying retirement village accommodation is a private property transaction where you are purchasing a 'license to occupy' and not 'bricks & mortar'. While there is an entry cost, and ongoing maintenance fees, there are also exit costs when you vacate the property, including a deferred management fee, refurbishment costs and a marketing fee.





HOME CARE PACKAGES

Home Care Packages are a higher level of in-home care for people who have greater medical and care needs than what is available through the CHSP. An Aged Care Assessment Team (ACAT) test is necessary and there are fees attached. However, costs are usually subsidised by the government. The assessment will determine a person's level of need. Level 1 indicates basic care needs, up to level 4 which represents a higher level of needs.

An increased demand for these services mean wait times can be lengthy. Visit the My Aged Care website – www.myagedcare.gov.au - or call 1800 200 422 to discuss your individual requirements.

PERMANENT RESIDENTIAL CARE

Previously known as nursing homes, residential aged care in its current form follows the Living Better, Living Longer reforms, introduced in 2014. These reforms mean that residential care is aimed at people who require the highest level of care. There is a basic daily care fee (approximately 85 per cent of the full pension) that all residents pay, while other fees are means tested. Each person considering this level of care must undergo a formal ACAT assessment.

RESIDENTIAL RESPITE CARE

This type of care is used to give carers and family members a break, although occasionally it is used as an interim solution until a permanent bed is found. Residential respite care is offered for up to 63 days each financial year and, subject to assessment, may be extended in lots of 21 days if additional time is deemed necessary. It can also be offered in the family home.





2. THE PROCESS AND COSTS



There are four main steps about placement into aged care facilities which have been identified by the Australian Government.

STEP 1

ASSESSMENT OF ELIGIBILITY

Your local Aged Care Assessment Team (ACAT) is the first port of call for you or your loved one. ACATs are usually based in hospitals and formal assessments may be carried out by a nurse, doctor or social worker.

ACAT may suggest some suitable local aged care facilities. The final decision, however, is the responsibility of the individual and their family.

STEP 2

FINDING ACCOMMODATION

The search for ideal accommodation is usually the most stressful part of the process. Things can be made much easier if you understand the fees payable, the options available for payment and their affordability.

This is the time we suggest you contact one of our accredited aged care financial advisers. At Advantage One, we have our One Stop Shop approach and have a strategic relationship with Age Care Directions, a business which specialises in age care planning and management.

Following an assessment by your local ACAT, we can help you apply to good quality aged care facilities near your preferred location. We also liaise with the admissions office at each facility to facilitate your placement.

Once we have assisted you to choose the most suitable facility, we can outline the best options to meet payment of the facility's fees and charges.



STEP 3

COMPLETE 'REQUEST FOR A COMBINED ASSETS AND INCOME ASSESSMENT' (CENTRELINK ASSESSMENT)

The ACAT assessor may also give you a 'Centrelink Assessment' form to complete which will determine whether an Accommodations Cost is payable and the amount of any Means Tested Fee or Contribution. This assessment should be lodged with Centrelink or The Department of Veterans' Affairs at the time of entry into Residential Care.

STEP 4

MOVING AND SETTLING IN – ADMISSION PROCESS

On admission into a facility, admissions staff will ask for your personal details - such as family and medical contacts, medical conditions, food preferences and social interests - to create an individual care plan.



ACCOMMODATION COST

- Pays for the cost of accommodation or entering into care.
- Amounts for each facility must be published on their website, as well as the Government website. Generally non negotiable.
- Three ways to pay: Refundable Accommodation Deposit (RAD) is the upfront lump sum option. Daily Accommodation Payment (DAP) is the daily fee option. Combination of RAD and DAP also possible.
- 28 days to decide on the method of payment from the time of admission.
- DAP can be deducted from the RAD paid (if any).

BASIC DAILY FEE*

- Pays for the living expenses of aged care.
- Everyone pays this fee
- Currently \$50.16 per day (from March 20, 2018).

MEANS TESTED CARE FEE

- Annual and lifetime caps on this fee apply.
- Fee is means tested on assets and income of the resident.

ADDITIONAL SERVICE FEE

- Pays for luxuries, or additional services, within the aged care facility or specialised care beds.
- Packaged fee or optional.
- A daily fee set by the facility.
- This fee may be able to be deducted from the RAD, in some cases, each month.

*Source: <http://www.myagedcare.gov.au/financial-and-legal/aged-care-homes-costs-explained>



3. RESIDENTIAL CARE AND YOUR PENSION



Your accredited Advantage One accredited aged care adviser can help you navigate this complicated area.

Moving into residential care can have a negative impact on pension entitlements if not properly managed.

There is a new age pension framework which came into force on January 1, 2017. Since then, there has been a stricter age pension asset test. For example, if a spouse stays in a family home, the property is likely to continue to be an exempt asset from the age pension asset test calculation. If the property is not occupied by a protected person, such as a spouse, the previously exempt property will be included for age pension asset test purposes after two years. Any rental income generated to help with a person's aged care costs will also count towards the age pension income test.

The home will be exempt from the 'Means-Tested Care Fee' if occupied by a protected person, such as a spouse. If your spouse

- or an eligible carer or close relative – is not living in the home part of the value of the property may count as an asset for the determination of the means-tested fee. The complexity of this area means we recommend you call Advantage One to discuss your individual needs and get more detail, on 08 8203 4800.

Deciding whether to sell the family home will depend on the means tested fee calculation and myriad other financial considerations such as cash flow, ongoing expenses and tax. Other factors will also need to be taken in to account, such as if the home is in rentable condition. Since January 1, 2017, income generated from renting the family home is no longer exempt from the age pension income test or aged care means-tested fee calculations.

Advantage One can help you determine options and strategies to maximise a resident's income and lower aged care fees. Our advisers have the specialist skills and experience to best advise you.



4. THE FAMILY HOME – WHAT ARE MY OPTIONS?



Excluding residents who have significant cash or liquid assets to pay the lump sum Refundable Accommodation Deposit (RAD), your family will in most cases have several options to either raise capital to pay a RAD or pay the interest costs of the Daily Accommodation Payment (DAP) over time. Such options include:

Pay part of the
RAD from liquid
investments and
the rest via a DAP

Pay 100% via DAP
from a regular
income source

Sell the resident's
home to pay the
RAD in full

Borrow against the
home to pay for the
RAD or DAP

Our specialists can help you consider options like these, ensuring the resident and their family are fully informed before making decisions. On the following page are some examples of ways to fund aged care living:



SELLING THE HOME TO PAY THE RAD

This is the most common way for people to pay the upfront RAD, but it may not be the best choice when taking into account the age pension and aged care fees.

EXAMPLE

Mr Smith is a single pensioner receiving the full age pension, with his family home his only major asset. He has chosen to pay a RAD of \$400,000 to enter a residential care facility. He sells his home for \$1,000,000 and pays the RAD of \$400,000 and invests the remaining \$600,000 to produce additional income.

In this scenario, the RAD of \$400,000 is exempt from the age pension assets tests and doesn't affect his age pension entitlements. But, the \$600,000 invested exceeds the assets test under current rules and will reduce his age pension entitlements. Since January 1, 2017, the new age pension asset test framework allows Mr Smith to own up to \$450,000 worth of assessable assets before it affects his age pension entitlement. The \$400,000 RAD and \$600,000 of invested assets all count towards the aged care means tested fee.

One of our specialist aged care financial advisers can help Mr Smith determine what is best for him financially.

BORROW AGAINST THE HOME TO PAY RAD/ DAP ENTRY FEES

Residents who are homeowners and over 65 years old will have, in many cases, the opportunity to borrow money for a Refundable Accommodation Deposit (RAD), or to fund any cash flow deficit which comes from the payment of the Daily Accommodation Payment (DAP), using a reverse mortgage. The recently announced Pension Loan Scheme (from 1 July 2019) will





mean there are several benefits to consider with this method:

- You do not have to sell your property. The home owner keeps full ownership and does not have to worry about incurring costs associated with selling.
- You avoid potential capital losses because the home owner isn't made to sell in, say, a depressed property market.
- Additional income can be gained by renting the property out.
- No regular loan repayments are needed because the debt is repaid from the future sale of the property.

EXAMPLE

Mr Jones is 78 and is going into aged care. The facility requires a \$400,000 Accommodation Cost payable by a RAD or equivalent DAP. Mr Jones is not ready to sell his home and would like to leave it in his family. He and his family feel property values have dropped recently and he doesn't want to be forced into a quick sale.

An aged care financial planner (like Advantage One) advises Mr Jones that there is an alternative to selling his home – which

is valued at \$1,000,000. Mr Jones can pay the monthly DAP, or the lump sum RAD, with a special reverse mortgage loan which doesn't require monthly mortgage repayments.

While Mr Jones will accumulate interest on the loan, this interest could be wholly, or partially, paid off each month if his home is rented. Mr Jones retains full ownership of his property and can continue to enjoy regular rent payments and any potential future capital gain on the home.

Consider another example regarding Mr and Mrs Smith whereby Mrs Smith moves to Residential Care while Mr Smith can stay in the family home. In this case their assets exceed the investment threshold of \$165,271 (i.e. joint assets excluding the family home exceed \$330,542) so an accommodation cost will be payable. Assuming that cost to enter the facility is \$400,000, this would mean a DAP of \$64 per day; if the accommodation cost to enter was \$500,000 then the DAP is \$80 per day or approx \$29,000 p.a. The result is rather than cashing in investments, it could be possible to finance the DAP by drawing down a fortnightly payment under the Pension Loan Scheme and still leave Mr Smith in the family home with sufficient independence and funds for a comfortable living.



5. GETTING SPECIALIST ADVICE



The complexity and depth of information surrounding aged care finance is immense. Therefore, it is vital you and your loved ones receive the most accurate and reliable information.

Regardless of your plans regarding the family home, there is no doubt you should get expert financial advice before someone

is moved into aged care.

At Advantage One, our complete One Stop Shop approach means our team of accredited aged care financial advisers, along with Age Care Directions, can provide advice to people moving into residential care.

OUR ADVICE MAY HELP YOU:

- | | |
|---|---|
| ✓ Avoid making costly errors | ✓ Boost income by investing the remaining home sale proceeds to ensure that the aged care costs are met |
| ✓ Maximise your Centrelink Age Pension benefits | ✓ Understand care options available, how to access them and their cost |
| ✓ Minimise any aged care fees | ✓ Recommending & connecting you to good quality residential care facilities |
| ✓ Negotiate a better outcome with the residential care facility | ✓ Guide you through this stressful and complex process |
| ✓ Understand the full range of options available to you before making a decision | ✓ Completing application forms and advocating on your behalf |
| ✓ Determine the best strategy to pay your RAD or DAP | ✓ Liaising with hospital and medical staff |
| ✓ Achieve clarity about your cash flow once you move into a residential care facility | |





Advantage^{one}

Integrated Financial Services

FOR A REFERRAL TO AN ADVANTAGE ONE FINANCIAL ADVISER, PLEASE CONTACT US:

08 8203 4800

www.advantageone.com.au

www.agecaredirections.com.au