AGED CARE...
ALL YOU NEED TO KNOW

Minimising Aged Care Cost

Are you concerned that entering aged care may cost you hundreds of thousands of dollars and don't know what you can do to reduce these costs?

If so, then please read on, as with some timely planning and research, there are several ways that can help you to reduce the costs of aged care.

In previous articles, we have looked at how Aged Care Centres charge their fees. We know that this differs depending upon the type and level of care, however, typically you will pay one or more of the following fees:

- Daily Care Fee - we cannot change this and everyone pays this fee
- Additional Service Fee - these vary significantly from facility to facility
- Means Tested Fees - these can be managed with some early planning
- Refundable Accommodation Deposit (RAD) - these vary from facility to facility
- Daily Accommodation Change (DAC) - these vary from facility to faiclity

Reducing Care Fees

As you can see from the above methods of charging fees, there are a couple that will vary depending on the chosen facility. As mentioned in previous articles it is important that you research different facilities and have some site visits so that you begin to understand the entry costs (RAD & DAC) and what you get for your money.

This needs to be done in advance before needing to go into a facility so you can understand any steps you may need to take in order to fund your care. If you are not proactive and are forced into a facility, you will have less time to do any research and potentially need to pay more for your future care.

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Having your home ready for sale or to be rented is a good step in preparing yourselves for aged care. You may discover that you also need to do some maintenance on your home in preparation for sale or rent, which takes time and money. It is important to note that money spent on your home reduces your assessable assets, as your home is not assessable whilst you or a protected person lives there.

Andrew Wem, Aged Care Specialist | andrew@navwealth.com.au | (02) 9008 3000

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Additional Service Fees

The Additional Service fees certainly vary between aged care centres. These costs can be very expensive and become the hardest costs to cover over time. This is because you actually need the money available to pay this fee and you cannot have it deducted from the RAD. There is also NO annual/lifetime cap for these fees like there is for the means tested fee.

Hence it is really important to understand the additional service fees so please ask about them when doing research and visiting different sites

Means Tested Fees

The means tested fees is the one fee that we can, with clever planning, influence the most. This can include gifting of assets, planning when to enter aged care, pre-paying fees and investment options.

Gifting

The same rules apply to 'gifting' for aged care fees as they do for Centrelink. So understanding these rules and gifting some of your assets will help reduce your assessable assets and in turn can reduce your fees. You are only able to gift $10,000 p.a up to $30,000 over a rolling 5 year period. If you exceed this then you are assessed as still having the asset for 5 years. So you really need to plan at least 5 years ahead to be able to make a difference through gifting. So talk to us before it is too late.

Timing of Entering Aged Care Centre

If you both need to go into care at the same time you should enter the facility at least one day apart. This means that when the first person enters care, their home is still exempt as it has a protected person being (spouse) living in it. The second person can enter the facility as soon as the following day, however, they will be assessed differently as the home will be assessed as an asset for their fees. This can make a big difference to the overall fees you pay.

Pre-paying fees

You can also pre-pay fees in advance like funeral bonds which are not counted as an asset by Centrelink or for aged care. Again while these fees may not be large, at up to $10,000 each they still add up and can help reduce your assessable assets.

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Additional Service Fees

There are also a few investments which are aged care friendly, in that they guarantee your investment and pay an annuity for your life. These investments have a purchase price that is higher than the withdrawal value so you are assessed on the withdrawal value only – meaning that you have less assets. However, your estate receives the full purchase price back upon your death.

Timing of Entering Aged Care Centre

Forward planning is essential and is the best way to ensure that should either of you pass away, the surviving partner doesn't end up having to pay a very high aged care costs. One way to do this is to ensure that some of your assets are Willed to your beneficiaries on your death so that your partner's assessable assets will not increase significantly.

Should you own a company, have a self-managed super fund or be a member of a family trust then planning ahead is vital not only for managing aged care costs but also making sure each of these entities is prepared for any potential changes as a result of someone needing to enter care, passing away or losing mental capacity.

An example...

- Tom and Joan own their own home as joint tenants – Valuation $1.6m
- Tom has an Account based Pension for $200,000 which will revert to Joan on his death
- Joan has an Account based Pension for $200,000 which will revert to Tom on her death
- Joan has a small investment and some shares worth $250,000
- Other than this they have a car and some house contents worth $12,000
- Currently, they receive a part Pension from the government

Upon Tom's death, if Joan inherits all of the above, she would no longer receive any age pension and would need to pay higher aged care fees as she would be means tested as a single homeowner.

However, had Tom's super gone to his estate and then to his children, Joan would still receive a part pension and also pay less aged care fees and also pay a lower means tested fee. continue next page

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Another consideration is the home structure. If Joan needed to sell the family home to enter care then she would also have the entire $1.6m of extra asset (less selling costs) assessed in her name. So again, with some planning, had they changed the ownership of their house from Joint Tenants to Tenants in Common (at 50% each), then on Tom's death 50% would go to his beneficiaries and Joan could remain in the home. However upon sale, Joan would only receive 50% of the value and hence would be assessed with less personal assets, therefore reducing her care costs whilst keeping the assets for the family.

In Summary

So by planning ahead and understanding the various rules, we are normally able to help people save considerably on their aged care fees. Below is a summary of the important steps in ensuring you minimise your Aged Care costs:

- Start by looking early as rushed decisions is more than likely an expensive one.
- Understand the costs involved for the Aged Care centres you would like to enter.
- Ask plenty of questions and understand additional fees etc.
- Plan ahead so we can review your situation and make any changes necessary to the ownership of your assets in order to help reduce your care costs. This will need to be finalised with a full Estate planning review.
- Understand your cash needs so you can determine if you can gift any /some funds to help reduce your fees and still have sufficient funds to care for yourself.
- Review your investments and determine what other investments you could make to help reduce your assessable assets.
- Discuss this with your family and then we can discuss and assess how best to move forward.

NAVWEALTH SOLUTION

Call Navwealth for an initial discussion about your situation and we can help you understand the steps involved in determining the appropriate care, finding a suitable place, and ensuring it is affordable.

For more information or to discuss the aged care needs of yourself or a loved one, please contact:

Andrew Wem
andrew@navwealth.com.au
(02) 9008 3000