



## Aged Care – a beginners' guide

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It can be a confusing and emotional time considering placing yourself or a relative into residential aged care – but as with many of life's big decisions the best approach is to arm yourself with the facts and seek guidance from specialists.

Naturally, your focus is to find the best aged care facility, but it is just as important to consider the financial aspects so you make the right financial choices for you and your family.

Following is some information we've put together to help you understand your options and the costs involved. This information is current as at 20<sup>th</sup> March 2009, and that fees change during the year and therefore this information should be used as a guide only and you should check with a specialist advice to verify them before proceeding.

### What is residential aged care?

Residential aged care is specifically for elderly or frail people who can no longer cope at home on their own. Depending on the level of care required the facility entered will be a:

- low care facility (hostel) providing personal care services such as assistance with daily living, or
- Higher care facility (nursing home) providing nursing type services in addition to personal care services.

A single facility may provide both low and high-level care options.

All facilities are obligated by legislation to provide the same basic accommodation and care options however some facilities also offer extra service options for which a resident will pay additional fees.

The Government requires a facility to provide spaces for supported and fully supported residents. A fully supported resident is an individual who has assets valued under \$36,000 for an individual and \$69,000 for a couple and have not owned a home in the past 2 years. A supported resident is an individual with assets valued at between \$36,001 and \$91,910.40 and has not owned a home in the past 2 years. Retirement villages are not classified as residential aged care facilities.

### Do you have to be assessed?

**Yes.** To enter an aged care facility you must first be assessed by an Aged Care Assessment Team (ACAT). These teams are often based in hospitals and are made up of health care professionals – e.g. doctors, nurses, social workers.

This team conducts a thorough assessment to help older people work out what kind of service will be best for them when they can no longer manage at home. An assessment is valid for a period of 12 months after which a new assessment will be required.

To find the closest ACAT to you, call Commonwealth Carelink Centre on 1800 052 272 - there is no charge for this assessment.

### Who regulates aged care?

The Federal Government is responsible for regulating the aged care sector although the facilities themselves tend to be run at a State level. There is a mix of State Government owned and privately owned facilities.

## How much does it cost?

The Government partly funds the cost of care, with the resident also paying fees depending on their assets and income and the fees levied by the individual facility. Aged care facilities all charge a basic daily fee and may also charge an income tested fee (depending on your level of income) and in some cases an extra services charge. Those people who can afford it will also pay an **accommodation bond** in the case of a hostel or extra service nursing home and an **accommodation charge** in the case of a nursing home.

Fees vary from facility to facility so there is no one standard fee scale, however the total amount paid to the facility must not be more than the Government subsidy paid on behalf of a person or couple.

1. **Accommodation bond/charge** – those residents who can afford it will pay an accommodation bond in the case of a hostel and an accommodation charge in the case of a nursing home. If the nursing home is an extra service facility an accommodation bond may be charged instead of an accommodation charge. Fully supported residents do not pay a bond or charge.

A bond/charge is basically an interest free loan to the facility to pay for upkeep and maintenance. The amount payable is negotiable with the individual facility. There is no maximum limit set in legislation however the bond set must not leave the resident with less than \$36,000 in assets in the case of a hostel and nursing home.

### How can an accommodation bond be paid?

A bond or charge can be paid as a lump sum or periodically (monthly or quarterly) or a combination of the two. Interest is charged if payments are made periodically.

### Is the bond/charge asset tested?

No. The bond is exempted from the Centrelink and Veteran's Affairs pensions' assets test.

### Is any part of the bond/charge refundable?

The facility is entitled to deduct monthly amounts (called retention amounts) from the bond or charge up to a maximum of \$292 a month for a five-year period. When the resident leaves the home the remaining amount is returned to the resident or paid to his or her estate.

2. Basic daily care fee - both hostels and nursing homes charge a basic daily fee. The current maximum rate as at 20<sup>th</sup> March 2009 is \$33.41 for both pensioner and non pensioner residents. This fee is reviewed six monthly and indexed to inflation.
3. An additional daily fee – the income tested fee is based on the deemed and actual income of a resident and includes any pension amount received. This fee ranges from \$1.00 to a maximum of \$58.96 a day for individuals and each member of a couple.
4. Additional services fees - some facilities may also charge additional fees (extra services fees). This can apply in both nursing homes and hostels. The extra services fee can range between \$10 and \$110 per day. An extra services facility provides choices such as additional activities, choice of meals, use of a private dining room and in some cases a larger private room. The extra services offered can vary from facility to facility.

## Will you have to sell the family home?

Losing the family home to pay for fees is probably one of the biggest financial worries people have when it comes to aged care. However, entering aged care may not mean having to sell all your assets. The rules are fairly complicated but some main points are:

- If sold, the proceeds of the home are immediately means tested.
- The family home is exempt for the purposes of bond calculations indefinitely if a spouse or dependant child remains in the home. These may also apply to a close relative or prime carer if they meet certain conditions.
- If the house is rented and a portion of the bond remains unpaid (on a periodic payment) both the rental income and value of the house remain exempt for Centrelink purposes indefinitely.

- If the house is rented and the rental income is used to pay an accommodation charge or periodical payment on your accommodation bond, both the rental income and the value of the house remain exempt for Centrelink purposes indefinitely.

**Your financial adviser can help work out the best option to suit your individual situation.**

### **Can you reduce your income and assets by gifting?**

There is a limit of \$10,000 per financial year with a limit of \$30,000 in a consecutive five-year period. Gifts over these amounts are treated as 'deprived' assets and are assessed as assets for a period of five years. Gifting within the limits may reduce your income tested fee but only slightly.

### **Are overseas pensions counted as assessable income?**

Yes, they are.

### **How can your adviser help?**

Your adviser will work with you and your family to work through the options that best suit your financial needs. In advising you on aged care your aged care financial specialist will:

- Provide advice on the affordability of care.
- Explain facility's costs – initial and ongoing daily charges including income tested fees and extra services.
- Advise on the best way to pay the accommodation bond.
- Provide investment advice to make your money last.
- Ensure you understand the impact on Government benefits and entitlements and make sure you claim everything you're entitled to.

**Talk over your situation and options with one of our Aged Care Financial Advisers by calling 1800 AGEDCARE (1800 243322) Toll Free anywhere in Australia.**

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