GOLDSBOROUGH
FINANCIAL SERVICES

Retirement Living and Aged Care

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Australian Financial Services Licensee - License Number 225330

Goldsborough Financial Services

- Retirement planning specialists for over 25 years
- Australian Financial Services Licence 225330
- Experienced advisers

PROFESSIONAL PRACTICE
FINANCIAL PLANNING ASSOCIATION of AUSTRALIA

Disclaimer

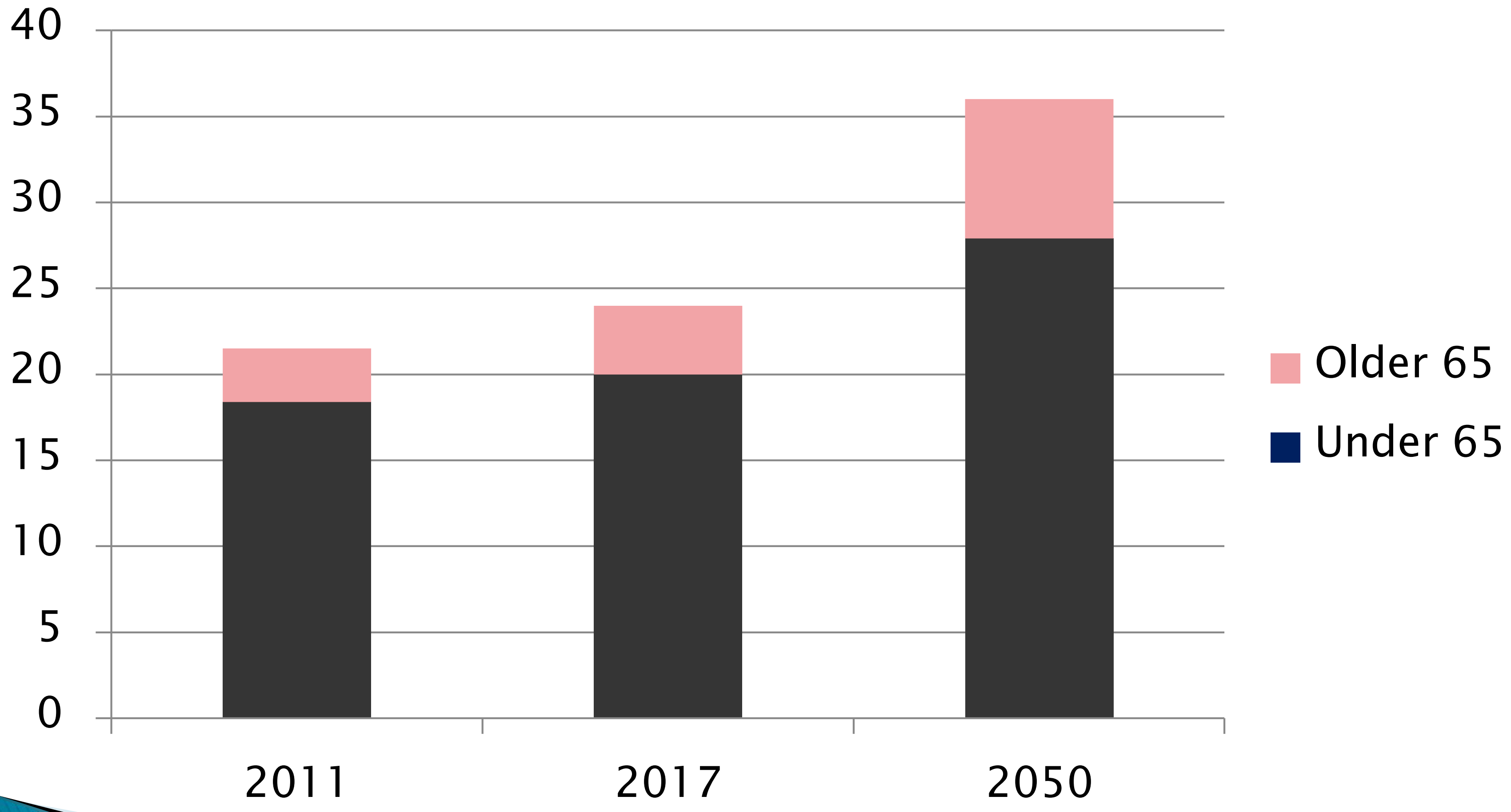
This information should not be relied upon as a substitute for financial product advice. Goldsborough Financial Services has not taken into account the investment objectives, financial circumstances or investment needs of any particular person. You must therefore assess whether it is appropriate, in the light of your own individual circumstances, to act upon the relevant information. We strongly recommend that you seek professional advice before making any investment decision.

Agenda

- Retirement Accommodation
- Aged Care Options
- Home Care & Residential Care Costs

Retirement Accommodation & Care Options

Proportion of people aged 65 years and over



High Demand for Aged Care

- As a Nation we are growing older
  - 2011: 1 in 7 people aged over 65 years (3.1m)
  - 2017: 1 in 6 people aged over 65 years (4m)
  - 2050: 22.5% people aged over 65 years (8.1m)
- Dementia
  - Increase from 436,000 now to 1.1m by 2050
- Home Care Packages
  - In excess of 125,000 people on National Queue
  - 18-24 month wait for allocation of funds for approved Home Care Package
- Residential Care
  - Require 83,000 new beds over next 10 years
  - 34,000 new beds over previous 10 years

The message is that those of us who are well informed and plan ahead will be in a better position to access Aged Care services, and be able to do so when they are needed.

Retirement Accommodation Options

- **Remain living in family home**
- **Downsize to smaller home or unit**
- **Retirement Village or Serviced Apartment**
- **Residential Care**

AgeCareDirections

Retirement Accommodation Options Factors to Consider

- **Age and health**
- **Physical environment- steep pathways, steps, trip hazards, shower bath, maintenance required**
- **Social isolation and loneliness**
- **Cost**
- **Stress of relocating**

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Retirement Accommodation Options – Remain in own home

- **Modifications to make more age friendly, eg; ramps, grab rails, shower**
- **Access to services & in-home care:**
  - **Lengthy waiting periods**
  - **Accept assistance when offered**

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Retirement Accommodation Independent/Retirement Village Living

- **1,2, & 3 Bedrooms**
- **Individual Units with own garden & garage**
- **Units forming part of one complex under one roof and multiple floors**
- **Village sizes vary from having less than 10 units with no amenities up to in excess of 150 units with amenities**
- **Many offer security - gated community**

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Retirement Accommodation
Independent/Retirement Village Living

- Independent & not have any major health concerns
- Age of 55 years & over- ideally mid 60s through until mid 70s
- Services and amenities for now & in the future
  - Meals/dining
  - Cleaning
  - Carer/nurse on site
  - Call alert
- Serviced Apartments- Meals, cleaning & laundry

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Retirement Accommodation Independent/Retirement Village Living

- Resident Funded (License to occupy)
  - Prices from $300k - $750k+
  - Maintenance Fee (from $100pw)- covers council & water rates, building insurance, gardening
  - Exit Costs
    - Deferred Management Fee (up to 30% of unit value)
    - Refurbishment , Advertising & Capital Contribution (1%pa)
    - Payout timeframe- up to 18 months.
    - Residential Care Accommodation payment provided for.
- Entry Contribution- prices from $50k (generally non-refundable)
- Rental

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In-Home Care

Commonwealth Home Support Program (CHSP) and Home Care Package (HCP)

- **Available in own home and can transfer should you move residence**

- **How to Access**
  - **Through My Aged Care website or 1800 200 422**
  - **Initially - phone assessment to determine level of assistance required**
  - **Home assessment- ACAT approval required for HCP & RAS for CHSP**

  (If seeking approval for HCP also request approval for Residential Care- Permanent & Respite at the same time).

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Commonwealth Home Support Program (CHSP)

- Basic level of assistance (up to 2-3 hours per week)
- Specific services, eg; cleaning, transport, physio
- Approved provider(s) contact you following approval
- Fee per service (subsidised by Government)
- Offered while on Home Care Package waiting list

Home Care Package (HCP)

- National Queue- name entered on queue following ACAT approval

- Letter advising allocation of funds- 56 days to engage provider

- Select provider-
    - Ascertain assistance required,
    - administration fee, case management & exit fee

- Consumer Directed Care

- Access CHSP pending HCP funding allocation

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Residential Care
Fact or Fiction?

- **Residential Care facilities are operated by Government and PrIvate Organisations**
  - **No: In Adelaide, operated by ‘For Profit’ & ‘Not for Profit’ organisations (not by Government)**

- **You have to pay an Accommodation Payment of $500,000 to enter Residential Care and you will need to sell your house.**
  - **Residents are assessed according to their assets and income, and it is possible you may <u>not</u> be assessed to pay an Accommodation Payment. For couples, the resident’s half share of assets and income are assessed, and if a spouse is living at home, it is excluded from the assets.**

- **You have to put your name on waiting lists long before requiring Residential Care**
  - **You should put your name down for Residential Care when you require it.**

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Residential Care
Fact or Fiction?

- You can arrange an ACAT Assessment once you have received an offer of a placement in Residential Care.
  - No: Residential Care facilities require you to have ACAT approval as part of your application.

- If it is not possible for you to continue to live independently following a hospital admission, you should request an ACAT Assessment while still in hospital.
  - Yes: A hospital can arrange in ACAT within a few days, and then you can transfer directly from hospital into Residential Care.

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Residential Care
How to Access

- **ACAT Assessment**
  - **Request through My Aged Care website or 1800 200 422, Doctor or Hospital**
  - **Describe a ‘bad’ day**
  - **Support Plan & Referral Code**

- **Applications**
  - **Lodge self or use placement agency**
  - **Hospitals lodge with any facility, especially those with current vacancy**

- **Complete Request for Assets & Income Assessment**
  - **Determines Means Tested Fee & if Accommodation Payment payable**
  - **Not required if already receiving income support payment**
  - **Not compulsory but pay actual cost of care if not lodged**
  - **Lodge when enter Residential Care - two written reminders**

Residential Care
Offer of Placement

- **Placement**
  - **Offer of placement based on Care Needs, Urgency & Finance**
  - **Inspect facility within 24 hours of offer**
  - **Advise decision within 12-24 hours**
  - **Move in within 7 days**

- **Single room with ensuite (some couples rooms or single with shared ensuite)**

- **Bed provided**

- **Own furniture- Recliner chair, TV, Display Cabinet, Pictures Prints, Telephone**

Residential Care Considerations

- When is right time to move?
  - When it no longer possible to live independently
  - Better to act than wait for a crisis eg; hospital admission. Greater choice.
  - Carer's stress

- Which facilities?
  - Good quality organisations- focus on quality of care
  - Possible to find placement near to home.

- Do you have to sell your house?
  - No. If married, spouse may continue to reside in house
  - There is an option to rent house

- How long does it take to find a suitable placement?
  - Usually a couple of weeks if prepared to consider number of facilities. May be several months if considering only one facility.
- Couples can be placed together

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Tips

- **Plan ahead for your future Care & Accommodation requirements**
- **Act sooner rather than later – don’t wait for a crisis to occur**
- **Obtain agreement among family members**
- **Educate yourself about options**
- **Say ‘Yes’ to services**
- **Be aware of the impact of Carer’s Stress on a spouse or family member**
- **If considering a move to a Retirement Village, don’t leave it too late**
- **Seek professional assistance**

AgeCareDirections

Age Care Directions

Anthea and Andrew Boden

Phone: 8337 9851

www.agecaredirections.com.au

AgeCareDirections

Age Well Pathways

- **Consultation to plan your future Accommodation and Care needs**

- **Discussion about your individual situation**

- **Designing a plan especially for you to follow**

- **Changes and government aged care reform is here and this plan will put you 'in the know'**

One of the issues with aged care is that people are often reluctant or don't see the value of advice because they don't necessarily understand the future impact of their choices.

AgeCareDirections

Home Care

Costs

Home Care - Packages

	Level	Approx. value (p.a.)
Level 1	Basic	$8,800
Level 2	Low level	$15,500
Level 3	Intermediate	$33,700
Level 4	High level	$51,100

Home Care - Fees

Basic Daily Fee

Income Tested Fee

Home Care Basic Daily Fee

Package Level	% of single person pension	Daily Fee
Level 1	15.68	$9.52
Level 2	16.58	$10.07
Level 3	17.05	$10.35
Level 4	17.50	$10.63

(from 1 January 2020)

Home Care Income Tested Fee

Income-tested care fee based on assessable income (single person):

- If assessable income below income-free threshold (currently $27,463.80) NIL
- If assessable income above income-free threshold but below upper income threshold (currently $53,060.80) – 50% of income over income-free threshold but CAPPED AT $5,550.90 pa (indexed) (or $15.24 per day)
- If assessable income above upper income threshold, fee is: $5,550.90 + 50% of income above upper income threshold but CAPPED AT $11,101.81 pa (indexed) (or $30.49 per day)
- Nil when lifetime cap of $66,610.90 (indexed) is reached

[1]Based on rates as at 20 September 2019, and subject to future indexation

Home Care Income Tested Fee

	Income Free Threshold	Upper Income Threshold
Single	$27,463.80	$53,060.80
Illness-separated couple (each)	$26,943.80	$52,540.80
Couple living together (each)	$21,294.00	$40,586.00

When a person's assessable income (including Age Pension) is below income-free threshold, they are not liable to pay income-tested home care fee.

Home Care Income Tested Fee

Assessable Income:

- <u>includes</u> income assessed under Centrelink/DVA income test rules PLUS any pension payments received from Centrelink/DVA (excluding minimum pension and energy supplement).

- DVA clients with <u>qualifying service</u> – any disability pension or war widow pension received not included in assessable income.

- If client is member of a couple, the combined income is calculated then each person allocated half of total income. The “half” is then assessed against relevant couple thresholds.

Residential

Care Costs

Residential Care

Distinction between low level (accommodation bond) and high level (accommodation charge) **removed**

All residents entering care from 1 July 2014 assessed under new rules

Existing residents grandfathered

Residential Aged Care

The costs

Accommodation Fees		Ongoing care fees	
Accommodation Payment	**Extra Services Fee**	**Basic daily fee**	**Means tested care fee**
Lump sum or equivalent daily payment	Payable where extra services are available	Payable by <u>all</u> residents for <u>all</u> days in care	Liability determined based on financial position
Cost of room set by facility	Set by facility: -Optional extras -Package fee (extra services rooms)	Currently $51.63 per day[1]	Variable Annual and Lifetime Caps

[1]Based on rates as at 20 September 2019, and subject to future indexation

Means Tested Amount (MTA)

The MTA measures client's affordability (to determine how much the government pays).

- Based on assets and income
- Used to determine if client can afford to pay own accommodation costs and,
- to calculate ongoing care fees (and regularly recalculated)
- If combined assets and income assessment is <u>less</u> than $57.49 per day, then client is assessed as low means.
- Centrelink responsible for calculating MTA

Calculating Means Tested Amount

Assessable Income:

50% of assessable income above income free area

Assessable Assets: Calculating Asset Amount

0% on first $49,500
+
17.5% of assets between $49,500 and $169,079
+
1% of assets between $169,079 and $408,237
+
2% of assets over $408,237

Means Tested Amount

Means Tested Amount

Assessable income:

Income as assessed by Centrelink

+

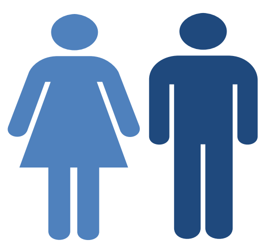
Age/Service Pension *less* supplements (clean energy/pension supplement)

Income free area

Singles

$27,463.80

Member of a couple



$26,943.80 (each)

Means Tested Amount

Assessable assets:

Financial Investments
Retirement income streams
Superannuation
Other Assets (e.g. caravan)

as per CentreLink assessment

"Family" home: exempt if 'protected person' stays
maximum value of $169,079 if retained

*Protected Person:

- Spouse
- Close relative (child, sibling) who is eligible to receive a government income support payment and has been living in the home for past 5 years
- Carer who is eligible to receive a government income support payment and has been living in the home for past 2 years

Issues for couples

Tips to remember:

- Combine all income and assets and use half for MTA (may cause problems with second marriages or younger spouses)

- While both still at home, paid couple rates of pension – important for determining low-means or not

- If both need to enter care, consider first spouse enter care at least 1 day <u>before</u> second. This will result in house being initially excluded from assessment for first spouse (may result in first spouse admitted as low means).

- After one or both move into care, become illness-separated couple (and each paid single rate of pension / supplements) but couple income thresholds still used

- If home is assessable – halve value and EACH person assessed up to capped value ($169,079 each). Net value used if lower.

- Factor in lifestyle expenses for both (living at home or in care)

Residential Aged Care

The costs – Accommodation Fees

Accommodation Payment

- Cost of accommodation
- Price of the particular room
- May be up to $550,000 (without Commissioner approval) – Unlimited
- Lump sum (Refundable Accommodation Deposit - RAD) vs interest charge (Daily Accommodation Payment - DAP)
- RAD is fully refundable (less any DAP you may direct the facility to draw from this lump sum)

Accommodation Payment

Refundable Accommodation Deposit (RAD):

Lump Sum payment as advertised on www.myagedcare.gov.au by Aged Care facility

Maximum payment is $550,000 (higher if approved by Aged Care Commissioner)

Daily Accommodation Payment (DAP):

Is the conversion of RAD to a daily fee using the legislated interest rate (4.91% p.a. 1 Jan 2020 – 31 Mar 2020)

(RAD x 4.91%) / 365 = DAP

Residential Aged Care

The costs – Accommodation Fees

Accommodation Payment

- FULLY SUPPORTED RESIDENT if assets below $49,500 & income below $27,463 (Government will pay all accommodation costs).
- PARTIALLY SUPPORTED RESIDENT if assets between $49,500 & $169,079 (Government will pay part accommodation costs and resident pays part via Daily Accommodation Contribution (DAC) which is their MTA).
- UNSUPPORTED RESIDENT if assets > $169,079 (resident pays for all accommodation costs).

*Based on rates as at 20 September 2019, and subject to future indexation

Residential Aged Care

The costs – Accommodation Fees

Accommodation Payment

Low-means?

- Tip: - to be low means, client needs to have assessable assets less than home capped value ($169,079).
- However, possible if assets below $169,079 for person to still be assessed as “unsupported” if income alone exceeds relevant thresholds.
- Typically member of couple, or single full pensioner either non-homeowner or homeowner with protected person living in home.
- Once accepted as low-means, will always be low-means unless moving to another facility.

Residential Aged Care

The costs – Accommodation Fees

Accommodation
Payment

Low-means rules

- Aim to ensure everyone can afford care
- Most services have quotas for low-means residents (15-40% of beds)
- Client is low means if MTA < MAS ($57.49)

Options to Fund Accommodation

- Access to capital (to pay RAD)
  - Sell House
  - Cash Investments
  - Reverse mortgage (lump sum)
  - Loan from kids
- Cashflow (to pay DAP)
  - Rent house
  - Annuity
  - Reverse mortgage (instalments)
  - Kids contribute
  - Deduct from RAD

Sell or keep the home?

Checklist of issues:

- Family use
- Investment return (including growth)
- Impact of rental income on age pension and aged care fees
- Centrelink concessions – including impact when 2-year exemption on home ends
- Estate planning
- Taxation (PAYG, CGT and land tax)
- Costs to make rentable / to sell
- Time taken to rent / sell
- Costs to maintain
- Risk and time to manage
- Insurance issues?
- Must advise Centrelink once sold

Residential Aged Care

The costs – Accommodation Fees

Extra Services Fee

- Extra services, not better care
- Foxtel, telephone
- Glass of wine/food quality
- May be a package price, or may 'opt in' for desired services
- Currently relatively few facilities charging this, however on the increase. Usually starts at $10 per day (may be up to $40 per day)

Residential Aged Care

The costs – Ongoing Care Fees

Basic Daily Fee

- 85% of full Basic Single rate of Age Pension
- Contribution towards cost of care (electricity, heating/cooling, meals etc.)
- Currently $51.63 per day[1]

[1]Based on rates as at 20 September 2019, and subject to future indexation

Residential Aged Care

The costs – Ongoing Care Fees

Means Tested Fee

Means tested fee – formula	
Formula	= income tested fee component + asset tested fee component – Government Supplement

- Means Tested Fee required to be paid if Means Tested Amount (MTA) is greater than $57.49 per day (Maximum Accommodation Supplement).
- Reassessed periodically, and more frequently as circumstances change (e.g. if home sold)
- RAD is included in assessment for Means Tested Fee but **not included in assessment for Age Pension**.

Means Tested Care Fee

Means Tested Care Fee:

Means Tested Amount *less* maximum accommodation supplement ($57.49)

Annual Cap of $27,754.52[1] (indexed)

Lifetime Cap of $66,610.90[1] (indexed)

Once you reach Lifetime cap, you will then only pay Basic Daily Fee
(if previously been on home care package, any income tested fee paid is included in above caps)

[1]Based on rates as at 20 September 2019, and subject to future indexation

Residential Aged Care Costs

Summary

Basic daily fee
$51.63* per day

Extra services fee
(Set by facility)

Means tested fee

Formula, based on income and assets

Accommodation Payment
(Set by facility, cost of room Lump sum/Daily Payment)

*Based on rates as at 20 September 2019, and subject to future indexation

Residential Care - Respite

Residential Respite

- In an aged care home, available from a few days through to a few weeks at a time.
- Entitled to same care and support services as permanent residents
- ACAT assessment to determine low or high level care (which then determines level of funding provider receives)
- Access up to 63 days per financial year (includes both planned and emergency care)
- Possible to extend by 21 days at a time (approval needed from aged care assessor)
- Fee is same as Basic Daily Fee ($51.63 per day)

Questions?

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Thank You