

UNDERSTANDING AGED CARE



Strategies on aged care
retirement, financial planning, and
moving into residential aged care or
using home care services.

Aged Care Explained



The transition from home to aged care is stressful, complex and requires a cool head to make the decisions that will impact your future.

Engaging a financial adviser who specialises in aged care advice to help explain the options, the process and work out the most effective way to finance aged care accommodation or in-home care, means you have someone working with you and your loved ones to prepare for the future.

Australia is fortunate to have a system designed to assist the elderly, whether it be enabling them to remain in their own home for as long as possible, or when the time comes, to explore the option of moving into an aged care facility as a more permanent and stable care solution.



COSTS OF CARE

There is a raft of different expenses to think about when you move into aged care. Broadly they are split into two main areas:

- the cost of moving into the accommodation
- the ongoing costs of care.

Both expenses have their own rules and complexities, and are impacted by other financial decisions you make. The costs will have an impact on the type of care you choose, so understanding them and preparing your finances to cover the costs is an important step, and one that is helped along by a professional financial adviser.



AGED CARE FACILITIES

If you have time, it is ideal to have a look around at services in the area you want to live. You may choose a particular facility based on location – so you can be near family or friends.

Taking a look around the facilities will also give you an idea of the types of accommodation available to you, and of course the cost of the different facilities and levels of care they provide.



DON'T DO IT ALONE

Working with your family doctor, financial adviser and involving key family members in the discussion about your aged care will remove some of the burden of the research to be done and decisions that need to be made.

After all, it is your quality of life at stake, so don't try go it alone when help and support is available.



DIFFICULT DECISIONS

Decisions such as whether to retain or sell the family home are important ones and can have a significant impact on both pension entitlements and aged care fees. Not that it is all about financial issues. This is a very emotional time and careful consideration of the various pros and cons of each option is key, so that you can make a decision that balances all the various factors involved.

Again, professional advice may make this whole process not only smoother, but put your mind at ease that appropriate decisions have been made by those that deal regularly in this area.

AGED CARE PLANNING

Strategies
to Create
Peace of
Mind With
Security
and
Certainty



Securing the best possible care in the later years of life is of critical importance to you and your family, particularly as health and mobility may be deteriorating.

Accommodation and the level of daily assistance needed are often the major concerns. If independent living is no longer practical, moving to an assisted aged care accommodation facility may be the best solution. This can be a complex and confusing time with many important decisions to be made on a range of issues.



Making well informed, sensitive and effective choices is not only vital to achieving the best possible quality of life, but it can also have major impacts on financial security and wellbeing. The priority in any planning and decision-making must always be to give you and your loved one's peace of mind and certainty, during what can be a particularly stressful and difficult time.

This principle will apply whether you are:

- Planning ahead for your own aged care accommodation for the future.
- In a situation where you need to immediately investigate aged care accommodation for yourself.
- A close relative or carer of someone who is considering moving to aged care accommodation.



What Needs to Be Considered?

The scope of issues that need to be dealt with when considering moving to aged care can be daunting and can cause a good deal of stress and worry. Some of the major areas of concern include:

- What qualifies a person to be eligible for moving to an aged care facility and how will it be assessed?
- What types and choices of accommodation are available and which one will suit best?
- What will it cost to gain entry to an aged care facility?
- What ongoing fees are involved once a person has entered an aged care facility?
- How will the age pension or other Centrelink entitlements be affected?
- What should happen to the family home?
- How can investments and finances be structured to ensure long term income and capital security?
- What can be done to best position income and investments for tax efficiency?
- How can financial and estate arrangements be managed to ensure a smooth transfer to family members?



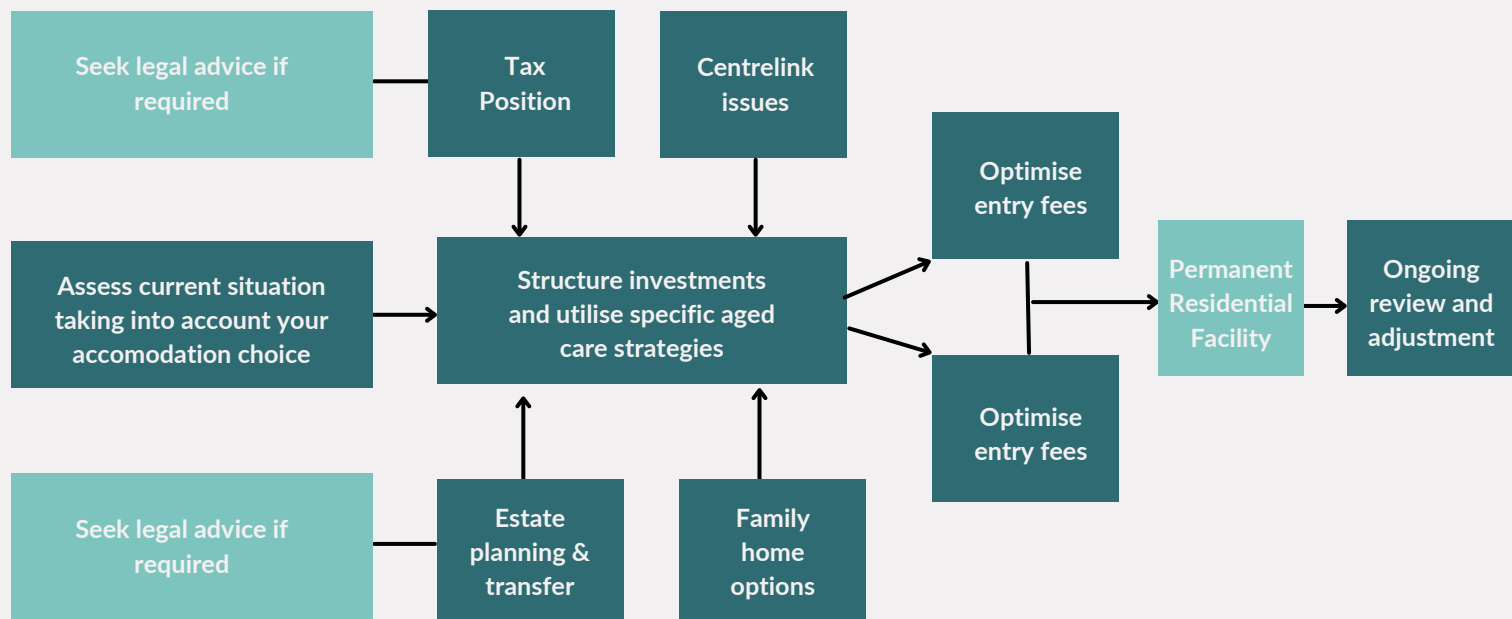
How a Professionally Planned Strategy Can Help?

Engaging an expert financial adviser to professionally prepare a personal aged care strategy gives you the benefit of:

- A thorough assessment of your personal financial situation, so that your various options can be correctly considered and well-informed decisions can be made to your financial advantage.
- Recommendations developed by an objective professional who is outside of any direct stress of the situation.
- Expert advice on the structuring of investments for Centrelink and tax efficiency.
- Informed recommendations on how to best deal with assets, such as the family home.
- Coordination of any additional specialist advice that may be required from legal or taxation professionals.
- Peace of mind that comes from knowing all aspects of your situation have been properly dealt with.

Scope of Advice

The following diagram illustrates the key elements covered by our advice (indicated in colour):



Specific Strategic Considerations

The complexities of the aged care system and the social security and taxation environment make it impossible to simply provide a standardised or generic solution to you.

We, therefore, need to fully understand your personal situation, feelings and preferences so that we can develop a customised plan that is totally specific to your needs. To that end we will initially discuss with you:

- Your current accommodation and homeownership situation.
- Your ACAT assessment and what options are available including issues surrounding aged care residential facilities.
- The current situation with your spouse and what they will do if you want to move to an aged care facility.
- Your current Centrelink entitlements and income.
- Your non-home investment assets.
- Your current income, expenses and debt situation.
- Your future lifestyle needs once you move to aged care accommodation.
- Your attitude toward investment volatility.
- Your wishes for what happens to your estate when it comes time to pass assets on to your family.
- Arrangements you want to make regarding the power of attorney, guardianship or health directives.



Specific Areas That Our Advice Recommendations Will Cover

Once we have a full understanding of your situation we can then apply our expert knowledge of the aged care system and existing legislation and regulations, in order to develop a customised strategic plan for you. This plan will cover specific recommendations on a variety of areas, including:

- Equipping you with relevant information to help you negotiate with aged care facilities, in order to secure a desired placement and acceptable fee structure.
- Determining the best course of action regarding the family home – sale, retention and renting the home – in order to optimise accommodation costs and pension entitlements.
- Determining if an accommodation payment or contribution is payable and how you can best re-structure your assets to pay for it.
- Options for paying a refundable accommodation deposit or daily accommodation payments while ensuring that Centrelink benefit outcomes are not compromised.
- Options for how ongoing accommodation fees, (standard residential contribution, means tested care fee and extra service fees), can be minimised and pension entitlements can be maximised, through careful structuring of investment assets and by using specific strategies, including:
 - investment bonds held in a private trust.
 - superannuation in accumulation phase (if you or your spouse are below pension age).
 - income stream products.
- Consider cash flow requirements to meet ongoing care and lifestyle costs, so that this is reflected in investment planning.
- Examine potential tax saving opportunities and recommend any areas that need specific advice from a tax professional.
- Ensure any potential access to benefits, such as the Commonwealth Seniors Health Card, is achieved through intelligent investment planning.
- Ensure investment planning gives due consideration to efficient estate transfer to beneficiaries in line with your wishes.
- Consider estate planning and estate control issues and recommend any areas that need specific advice from a legal professional.



Regular strategy review to maintain your strategy's effectiveness.

The strategies we recommend and plans we put in place will be based on our best professional assessment of your:

- personal situation and preferences
- family situation
- existing laws and regulations
- prevailing investment conditions

All of these aspects are subject to change. In order for your plans to remain relevant and efficient we recommend a regular review program is implemented.

This review will also allow the opportunity to monitor specific investment performance, so that any adjustment or re-balancing can be undertaken to keep your plans focused on maximum performance.

We will make recommendations to you about how often reviews should be made and what they will involve, based on the complexity of your plan and your individual needs.

Accommodation Options



Choosing your ideal accommodation in retirement is not just about finding the right location and environment. There is also a range of financial issues to consider.

With longer life expectancies and the importance of a fulfilling lifestyle, retirees need to put a lot of thought into where and how they will live in retirement. For many people, it is a lifestyle choice, but for others, the choice may be dictated by health concerns, mobility or budget.

In most cases, it is vital to seek financial advice before making a decision to ensure you do not miss out on Centrelink entitlements or investment income. Your financial adviser can implement strategies to assist in:

- reducing assessable assets;
- increasing social security entitlements; and
- minimising entry and ongoing costs for aged care accommodation.

1. Your Own Home



Living in the family home, or moving to a more suitable private home, is often the preferred choice of accommodation due to familiarity and stability.

Financial Issues

- You will need to budget for ongoing maintenance and upkeep, particularly if alterations are required to improve comfort or assist your mobility and safety as you get older.
- If your home makes up the bulk of your wealth, you may be disadvantaged by a lack of access to capital and subsequent problems with generating income.
- Selling your existing home and moving to a smaller or more convenient home may affect your social security entitlements, particularly if there are excess funds.
- There are social security impacts if you do not sell your home but buy elsewhere or move in with a friend or relative.
- If you require in-home care, you may be eligible for assistance from the government.

2. Granny Flat Rights



Granny flat accommodation is usually within, or attached to, the home of a relative. Residents can generally benefit from close at hand support and company from their family and friends.

Rights to a granny flat are established by either:

- transferring the ownership of your private home and obtaining a life interest; or
- exchanging money or assets for a life interest in a private residence.

Financial Issues

- Your granny flat rights may be included in the Centrelink assets test, depending on whether you are considered a homeowner or non-homeowner.
- If you are not considered a homeowner, you may be entitled to receive Rent Assistance.
- If you pay substantially more for your granny flat than it is worth, the extra amount may be included in your assets

3. Retirement Villages



Many older people appreciate the lifestyle benefits of retirement villages. These can include companionship, facilities and activities, additional security, home maintenance and access to on-site medical assistance.

Financial Issues

- Buying into a retirement village attracts an entry fee known as an 'entry contribution'. • Fees vary greatly from village to village.
- The type of contract will also vary between villages, but each will detail relevant entry, ongoing and exit fees.

Eligibility for social security is based on:

- The amount of the entry contribution, which determines whether you are considered a 'homeowner' or 'non-homeowner' for social security purposes. If you are considered a non-homeowner you may be entitled to receive Rent Assistance.
- Decisions made about the former home.

4. Permanent Residential Care Facilities



Financial Issues

- A standard resident contribution fee applies and although costs may be part-funded by the government, all residents are required to pay this fee.
- Means tested care fee may apply, which is calculated using a combined income and asset test.
- Refundable accommodation deposit is required, which is an entry fee paid as an up-front payment. Note: The option to pay this as a daily accommodation payment or combination of a refundable accommodation deposit and daily accommodation payment is also available.
- Additional fees may be charged for extra services. These services and associated fees are agreed with the facility providing them.
- If your former home is retained and one spouse continues to live there, the resident generally remains a 'homeowner' for social security purposes and the home is an exempt asset.
- If your former home is retained and rented, the net rental income received is assessable for social security purposes, unless you are paying at least part of the cost of your accommodation by daily accommodation payments. However in these circumstances, the net rental income is included for the purpose of the aged care means tested care fee, if you enter into a residential care facility on or after 1 January 2016.



LOCATIONS

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