

The Complete Guide to  
**Aged Care Costs**

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# Welcome

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*When you first start looking at the costs associated with aged care, it can be a confusing list of fees and charges.*

*Understanding the real costs can help you to be better prepared.*

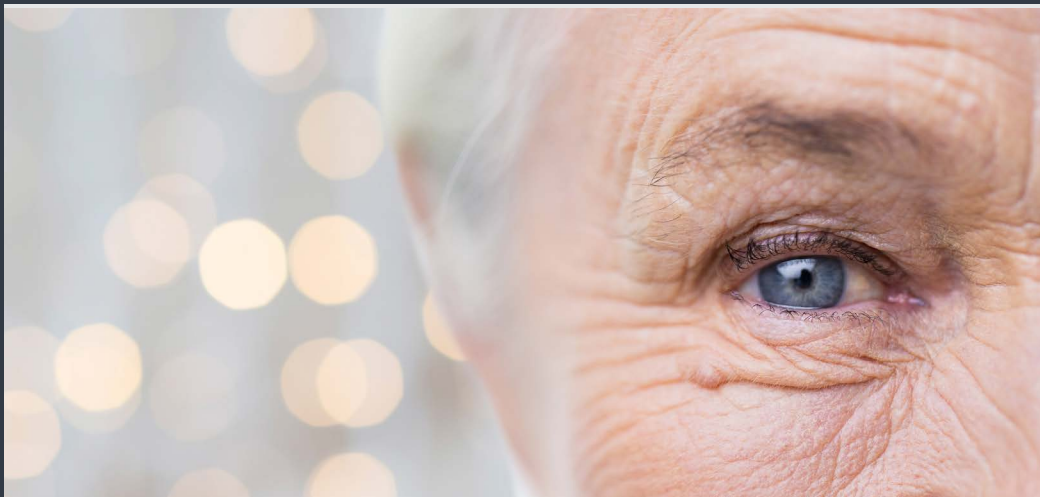
Australia's population is continuing to grow strongly and we have an ageing population. In fact, people aged 70+ are expected to double in the next 20 years. This is thanks to the medical advancements and healthier lifestyles allowing us to live longer than ever before.

As the amount of Ageing Australian's increase, this in turn pushes up costs of aged care. And it's already an expensive cost.

Planning ahead for your financial future can bring you great peace of mind in your later years, especially during times of stress or transition. The transition to aged care can be difficult for some people, emotionally and financially.



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In this Guide, we'll show you an outline for evaluating the costs associated with aged care and making the plans that will help you understand their implications to your situation. In doing so, we'll look at the following:

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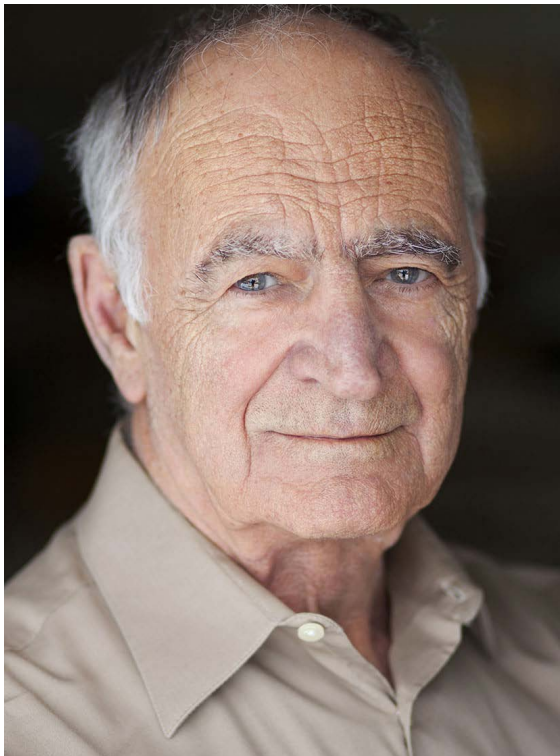
# Preparing for Retirement

It's difficult to plan for retirement if you don't know how much you're going to need to save. A first step in retirement planning should be to identify a specific amount of money you want to have by the age when you want to retire.

This number is not going to be the same for everyone. Some people want to retire at different ages in their life, some have adult dependent children to care for, and some have plans for travel or interests. Whatever your situation and plans, settle on an amount, and start working toward that goal.

## Starting Place

Now, these prices may be ok for a baseline, but, this really is the minimum you would require. We suggest that you should probably be aiming higher (particularly if you live in Sydney with the associated costs of living).



### Basic Lifestyle

(\$22,365 for a single person, \$33,717 for a couple)\*\*

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This is the amount you can expect from the Age Pension. It gives you a basic income and access to discounts for energy expenses and health services. Most Australians don't live on this level of income by choice; it can be difficult.

### Modest Lifestyle

(\$23,797 for a single person, \$34,226 for a couple)\*\*

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The modest lifestyle amounts described by the ASFA study are only marginally higher than the Basic Lifestyle. You would only be able to afford very low-cost activities.

### Comfortable Lifestyle

(\$43,184 for a single person, \$59,236 for a couple)\*\*

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With savings equalling the recommended target for the comfortable lifestyle, you can afford higher level private health insurance, regular travel, and higher quality household goods.

*\*\*These figures are based on the ASFA Retirement Standard, December Quarter 2015. The budget for various households and living standards for those aged around 65. The figure also assumes that the retiree(s) own their own home. The single calculations are based on female figures.*





## Debt

Sadly, more and more Australians are retiring with unpaid debts. The best approach for your retirement savings plan is to pay off any debts before you retire. If you don't, you'll need to add debt repayments to your retirement expenses or take a lump sum out of your super to pay off your debts. Either way, your retirement savings won't go as far as they could have if you'd paid off your debts earlier.

## Building a Plan

Once you have reached a target amount to save for retirement, you need a plan. This may include salary sacrifice to increase the amount of money you save each month. Salary sacrifice may be helpful to your current financial state as well as your long term retirement plans because of the tax savings involved.

Face the future head on by finding out your real cost of living in retirement. Then make a plan and put it into action.

## Personalisation

Once you've figured out your starting place and whether or not you'll have to repay debts, it's time to consider personalisation to your retirement plan. Do you plan on staying in your current home or moving to a place with lower housing costs? Do you plan on pursuing new interests that require additional funds?

It's a good idea to meet with an adviser to help you put together all the pieces of your retirement plan. The real cost of living in retirement differs from person to person, and expert advice can be enormously helpful.

# Aged Care Finances

## What does it really cost?



Getting old can be a challenge in many ways: your health may deteriorate, and loneliness may become a struggle. But for all the challenges of advanced age, there are also great benefits, like the kind of wisdom that only comes through life experience.

As you prepare for the next stage in ageing and aged care, ensure you discuss the various costs with your family and how you plan to pay for them. The following explanations will help you get started. The fees you'll pay for aged care are divided into the following four categories:

For those entering aged care or acquiring home care after 20 March 2016, the maximum basic daily fee is \$9.93<sup>1</sup> for home care and \$48.25<sup>1</sup> for residential care. Providers cannot charge more than this for the basic daily care fee, but there will be other fees to pay in most cases.

### Income-Tested Fee (Means-Tested Fee)

In addition to the basic daily care fee, you may be asked to pay an income-tested fee (for home care) or a means-tested fee (for residential care). The Australian Government sets the amount that you must pay directly to your aged care provider; the care subsidies paid to the provider are reduced by the same amount.

*For those entering aged care or acquiring home care after 20 March 2016, the maximum basic daily fee is \$9.93 for home care and \$48.25 for residential care.*

### Accommodation Payment

This fee is set by the aged care facility, and it is published on websites and in other literature from the facility. As you look at accommodation payment fees, remember you can pay this by either a lump sum (RAD) or daily fee (DAP), or a combination of these. Although these fees are published on facilities' websites, they sometimes are willing to negotiate a lower amount.

### Basic Daily Care Fee

Once you require daily care (either in your own home or in a residential care centre) you will be charged a daily fee. Like the Accommodation Payment, the Basic Daily Care Fee is paid by all aged care home residents at a fixed amount, regardless of their assets or income. This fee is indexed in March and September every year.

Currently, this fee is capped at \$25,939.92<sup>2</sup> a year, but you won't have to pay more than \$62,255.85<sup>2</sup> over your lifetime.

### Additional Services Fee

Facilities often offer extra services above and beyond basic daily care, and they can charge an Additional Services Fee to cover these services. This fee usually ranges from \$20 - \$120 per day, depending on the services and the aged care facility.

With this information, you can come up with a ballpark figure for how much your aged care will cost. You'll find as you research different facilities' websites that there is a range of accommodation payment fees, and you can tailor your aged care expenses to your budget by choosing a facility that best meets your needs and income.

<sup>1</sup> <http://www.myagedcare.gov.au/financial-and-legal/aged-care-homes-costs-explained>

<sup>2</sup> <http://www.myagedcare.gov.au/aged-care-homes-costs-explained/means-tested-care-fee>

## Other Considerations

- You don't have to make your accommodation payment before you move into an aged care facility. You do have to agree on how much you will pay and sign the facility's Resident Agreement.
- The refundable accommodation deposit (RAD) is held in trust for you by the residential service provider. The money can be invested to earn interest or used to buy land or expand operations, or it can be used to pay for maintenance. You can think of RAD as an interest-free loan to the aged care service; it is not repayable until you leave.
- Take extra care when researching aged care facilities in Victoria or South Australia. Some facilities in these states are funded and regulated by the State Government, and they don't guarantee repayment of RAD.
- Seek advice on how to restructure your investments to plan for aged care. There may be strategies you can use to increase your Age Pension in order to make sure you have enough cash flow to pay for aged care services.







# Means Testing

## What you need to know

Through your research of aged care and retirement planning, you'll probably come across the phrase "means testing." Means tests help to determine your eligibility for certain government benefits. Understanding means testing and how it applies to you can help you with your financial planning and help you to know if you're receiving all the benefits for which you qualify.



### What is Means Testing?

Means testing is a process to test your income levels to see if you qualify for some government benefits. Means testing may also determine how much of a benefit you receive or whether or not you qualify for a rebate. For instance, for the Private Health Insurance Rebate, if your income surpasses the defined tiers, your rebate will be reduced or even completely stopped.



### Means Testing for Pensions

The Department of Human Services' means test evaluates eligibility based on:

- Gross employment income, including wages, salaries, bonuses, commissions, stipends, and overtime
- Income from financial investments, including money in your superannuation account if you have reached the pension age
- Business income, including farming income
- Dividends and distributions from private companies and private trusts
- Income from real estate, including rents from investment properties
- Some superannuation contributions
- Income from outside Australia

For Department of Human Services pensions, your pension will drop to \$0 if your income is high enough.

*The Age Pension Assets test compares the value of your assets to set asset thresholds that determine if you are eligible for the Age Pension and other benefits. The criteria for this test is updated each March and September, so keep an eye on changes to your own personal benefits.*



### **Age Pension Assets Tests**

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Financial circumstances can change, and markets are certainly always changing. Ensure you are regularly check your means testing to see if you qualify for benefits that you're entitled to. It can make a difference in your quality of life.

If you are unsure, check with your financial adviser to see if you qualify for full or part benefits.









It's very difficult to move your parents into an aged care facility. It is very emotional - moving away from neighbours, leaving the security of a longtime home, and living with people who are strangers at first. How do you know when it is the right time? Look for the following tell-tale signs.

## Your Parents and Aged Care

### When is it time?

#### Home Safety Issues

From time to time, everyone can cause some unsafe conditions at home. It might be that you have forgotten to turn off the iron or perhaps you forget to lock the door one night. But when these occurrences start becoming frequent, it might be time for aged care.

Stairs can be a real difficulty for some elderly people. Others need special bathroom facilities that allow them to bathe in a sitting position. If your parents' house has become dangerous for them, it may be time to find a place in an aged care home.

#### Sundowners Syndrome

Those who have been diagnosed with Alzheimer's may start to develop "Sundowners Syndrome." People suffering from Sundowners become agitated and disoriented at the end of the day. They may lash out at caregivers, become frightened and confused, or have difficulty falling asleep.

Aged care can be very helpful for people suffering from Sundowner's Syndrome. When there is an established routine, a monitored diet, noise control, and trained staff members, your parent can feel safer during this difficult time of day.

## Wandering

Falls and injuries tend to become more frequent when people with dementia begin wandering. If your parent gets up in the middle of the night to use the bathroom and ends up outside or in another part of the house, it's time to consider aged care. It's not realistic to think that you can manage all of your parents' needs, all of the time. You can't watch them 24 hours a day, but the staff at an aged care facility can.

## Aggression

If your parent(s) are acting more aggressive now than in the past, it could be a sign of dementia. It's difficult not to feel resentful when the parent you love and care for begins to act aggressively toward you. Don't forget it's the dementia talking, not your parent. This is a good time to seek help by looking for an aged care home that is staffed by people who know how to manage dementia.

### Increasing Care Needs

A lot of families want to care for their aging family members for as long as possible, but there does come a point when the care needs exceed the family's capacity. Dispensing medications, feeding, clothing, and bathing your parents can take a toll, and if you feel that this care is beyond your physical capabilities, it's time to start researching the aged care facilities in your area. Chances are good that there is a home that will be a good fit for your parents.

### Caregiver Stress

It can be really overwhelming taking care of your aging parents whilst managing your own life.

When you move your parents into an aged care home, you can still visit with them and be influential in their care, but your stress levels will be reduced significantly.

Knowing that your parents are receiving round-the-clock care and supervision will give you peace of mind and will allow you to sleep easy.

If you're seeing one or more of these signs, it may be time to start looking for an aged care home for your parents. Learn more about the costs associated with aged care, and find a facility that works well for your parents and fits their budget.

# Do I lose all my super going into Aged Care?

Recently, the rules have changed about aged care in Australia. Today, residents of aged care must pay an accommodation payment when they first move into an aged care facility. This accommodation payment can be a large amount of money. Will the aged care accommodation payment and the ongoing costs associated with your care cause you to lose your entire super?

## Options

There are many elements that can affect if you'll retain some of your super account upon entering aged care. Previously, some people sold their homes in order to pay for aged care. That way they would then keep their pensions to cover ongoing fees associated with their care. This formula may still work for some, but it's not a certainty like it used to be.

Depending on the value of your home, it might be sensible to hold onto it and use it for rental cashflow, which can continue to pay for ongoing aged care expenses. If rental income can cover your aged care accommodation payments, holding onto the property can be a wise financial move. If, however, rent falls far short of your accommodation payment, it might make more sense to sell it and use the proceeds to pay for your accommodation payment or your ongoing expenses.

## When One Member of a Couple Moves to Aged Care

When a couple is living on the age pension and one of them needs to move into aged care, the remaining spouse can stay at home and continue living on the pension. If they fall under the means test, half of the couple's combined income and assets will be assessed.

If a couple has enough in their super account, they may be able to pay the aged care accommodation payment for one of them out of a lump sum from their super while continuing to pay for home expenses for the remaining spouse out of income from the super or their pension.



## Planning For Aged Care

When the time comes to moving into aged care, here are some steps the family should work through:

1. Find an aged care facility that offers the right standard of care, suits your budget, and is in a convenient location for the family.
2. Do the numbers. Find out how much your accommodation costs would be, and calculate the other expenses associated with aged care. For people on a full age pension, 85% of the pension goes toward the aged care facility's basic daily fee. All others face means testing.
3. Decide whether or not you will keep your house. Again, a suggestion is to calculate whether or not rental income would cover ongoing expenses like your accommodation payment.
4. Work through your financial options. It's best to seek advice from an independent financial planner who has experience helping people with aged care. Don't rely on the staff at the aged care facility to help you work through your finances.

Whether you lose all of your super going into aged care or not depends on how much you've saved and how much your aged care will cost. If you need further guidance to work through your personal finances in preparation for aged care, get in touch and we can guide you through this.





# Is One Aged Care Option Financially Better Than Another?

*Australians are now being asked to contribute to superannuation and aged care increasingly over the last few years, and this changes the way people manage their care. Is one aged care option financially better than another? Is there a way to make your savings stretch farther when it comes to aged care?*

*There isn't a one-size-fits-all answer to this question. However, evaluating the different options can help you find the best strategy for you and your family.*

## Living with Family

Many more older Australians are living with family as they age. It can be very satisfying for family to spend this time together, and living with family often means that you can stay close to the people you love. Living with family can have its challenges, however. It can put a lot of pressure on the caregivers because they're constantly on call. If there's someone in your family who wouldn't have to quit a job in order to care for you, this can be a very affordable option.

## Respite Care

Sometimes, family members are temporarily unable to care for you and you may need some short term care to get you through a health issue or need some extra help. In this instance, respite, may be the best option for you. Respite care may allow you to continue living independently by helping you through a short-term difficulty.

## Home Care

Home care is now more of a possibility due to more and more resources being available for many older Australians. Home care is appealing because you can stay in your own home, which is near your friends, your neighbours, and near your family. The costs for home care can vary, depending on what kinds of services you need. You need to consider the costs of delivered meals, shopping services, private care, medical alarms, equipment for your home, and transportation.

Certain services are funded under Home Help: personal care like dressing, showering, and mobility; house tidying and cleaning, clothing washing, and meal preparation. Other services that are not currently funded include companionship, live-in care, and sleepovers.

## Tapping Into Your Home Equity

The value of your home is probably a large component of your wealth. That's usually the case for many older Australians, so it's natural to look to your home as a source of income for paying for aged care.

This year (2016) the government eliminated an exemption that allows rental income to be excluded from means testing, and in 2017, rental income will probably be included in age pension testing.

These are big changes: the family home has been exempt from means testing for the age pension for over 100 years in Australia. This change may mean that more and more Australians sell their homes to pay for aged care. This might be a good option for you if you don't have enough savings left to pay for aged care and you have substantial equity in your home.

## Superannuation and Savings

If you have sufficient funds in your superannuation and savings to cover the costs of your aged care, you won't need to tap into your home equity. Consult with your financial adviser to discuss the state of your super and whether or not it will cover your expectations for aged care.

*Altus Financial can help you prepare for the costs of Aged Care so you fully understand the upfront and ongoing expenses and are taking advantage of benefits that may be available to you.*

CONTACT US TODAY



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