

Understanding aged care

Australia's aged care system is designed to support the elderly, either in their own home or a residential aged care facility.



Aged care is a complex area that requires a solid understanding of how the rules interact with the broader tax and social security system – a financial adviser with expertise in this area can help you to manage costs, review entitlements to social security benefits, choose suitable investments and plan for the distribution of your estate.

There are a number of important decisions when considering moving into residential aged care such as:

- which facility is suitable for you
- what fees will you need to pay and how should you fund them
- what should you do with your family home
- what impact will the move into care have on social security benefits.

Steps to entering aged care

Step 1 – Get your care needs assessed

Before you move into a residential aged care facility, you need to have your lifestyle and health needs assessed by an Aged Care Assessment Team (ACAT or ACAS in Victoria) member. These are usually doctors, nurses and social workers who specialise in aged care.

Step 2 – Find an aged care home

ACAT can provide you with a list of aged care homes in your area. Phone 1800 200 422 or visit www.myagedcare.gov.au.

Step 3 – Work out the costs

While some aged care costs are generally partly funded by the Government you may need to pay a number of fees, some of which are determined by your income and assets. These include a basic daily fee, means-tested fee, extra services fee and accommodation payment.

Step 4 – Apply for your place

An application needs to be completed for the care facility you have chosen. You will also be asked if you want to provide details on your income and assets. If required, you may provide this information to Centrelink directly to have your fees calculated. After the assessment has been completed, the Department will notify you and your aged care facility of the outcome; and what fees they may collect from you.

Step 5 – Move in

Before you move in you will be provided with an Accommodation Agreement. This legal document sets out the terms of your residency, your rights and responsibilities and the rights and responsibilities of the aged care facility.

Understanding different fees

There are four fees that may be payable when residing in a Government subsidised aged care facility.

1. The basic daily fee is a contribution towards daily living costs, such as nursing, personal care and meals. Generally, all aged care residents are required to pay this amount.
2. A means-tested fee is determined by a formula that takes into account your income and assets at the time you enter care and is generally reassessed monthly by Services Australia throughout your stay.
3. An accommodation payment is a contribution towards the cost of accommodation. This cost may be met in part or in full by the Government, depending on your income and assets and can be paid as a refundable accommodation deposit (RAD), daily accommodation payment (DAP) or a combination of the two.

The RAD is a lump sum payment that is refunded when you leave the facility, after allowing for the deduction of any agreed amounts.

The DAP is a daily payment you will be required to pay if you have not paid the RAD in full. It is effectively 'interest' on any 'unpaid' RAD and is calculated using an interest rate which is generally revised quarterly.

4. An extra services fee is charged by the facility for any additional services or a higher standard of accommodation, e.g. pay TV, a larger room, additional leisure activities and extra therapies. This fee is not subsidised and is payable in addition to the other fees.

Your family home

When you move into aged care, some important decisions may need to be made regarding your family home.

Your home will not be assessed when Centrelink/DVA determines any means-tested fee you are required to pay if certain eligible people continue to live there.

If your family home is your main asset and you haven't got sufficient funds available to either pay the lump sum or meet the ongoing daily fees, it is important to get advice to determine what options you have to fund the cost of your care.

Renting your home could provide an additional source of income to help you pay your aged care costs.

If your home is sold, there is generally a full capital gains tax (CGT) exemption, provided your home has always been your 'principal place of residence'.

Decisions you make regarding your family home could impact your current or potential social security entitlements.

Age Pension entitlements

Moving in to aged care could impact your entitlement to the Age Pension.

When you move into care, you will need to notify Centrelink/DVA so they can recalculate any benefits you are entitled to. This is in addition to submitting the assessment form which Centrelink/DVA will use to determine your means-tested fee.

If you are a member of a couple, your Age Pension payments may increase when one or both of you move into aged care. This is because you will be considered an illness separated couple.

Further information

For further information please contact Alex Kiss on 0409 809 198 or alex.kiss@finvisory.com.au.

Source: MLC

Next steps

There are a range of resources that can help when you move into aged care.

- myagedcare.gov.au is the Australia Government's website which contains general information on aged care rules and fees.
- Placement agencies can assist you in identifying care facilities that can provide the care that is required in a particular area.
- A solicitor can help ensure your Will, enduring power of attorney, guardianship and other documents are up to date.
- A financial planner can assist in explaining and estimating fees that will be charged by a care facility and in understanding how your cashflow can be managed.



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