

The PSK Guide to...

Aged Care



Advice that puts you first



The PSK Guide to aged care

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The aged care landscape

When we think about our retirement, we tend to focus on the honeymoon period—the early years when we can relax with friends and family, pursue new hobbies and perhaps enjoy the odd overseas trip. And with Australians tending to live more active retirements than ever, hopefully you'll get the chance to achieve your dreams.

But as well as enjoying more active retirements, we're also tending to live longer and therefore we're spending longer in retirement than ever. Once the honeymoon period is over, there may come a time down the track when you'll need more help.

We don't like to think too deeply about our later retirement years. But the reality is that an increasing number of people will need some form of aged care as they get older.

All too often, people end up needing urgent help following an unexpected event, like a fall or a medical emergency. All too often, family and even friends are left responsible for initiating the process. And all too often, decisions need to be taken quickly and there isn't time to achieve the best outcome.

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.

Demystifying aged care

Whether considering options for yourself or deciding how best to help someone close to you, aged care is a complex area and requires careful thought. The uncertainty surrounding where to move, how much it will cost and where the money will come from can be overwhelming and stressful.

This guide provides the basics and will help you to understand your options and the costs involved.

A few common questions around aged care are:

- ✚ Where do I start?
- ✚ How do I choose an appropriate facility?
- ✚ What's the difference between low and high care?
- ✚ How do I pay for everything?
- ✚ What about the family home?
- ✚ How do I make the money last?

The assessment process

Step 1: Approval

Before entering an aged care facility your health must be assessed to decide which level of care is appropriate. The assessment can be performed by any doctor, nurse or social worker who is a member of an Aged Care Assessment Team (ACAT).

Step 2: Find a home

There are two types of residential aged care facility: hostels ('low level care') and nursing homes ('high level care'). The main difference between hostels and nursing homes is the level of care provided. Hostels provide personal care, accommodation and some level of nursing care, whilst nursing homes provide 24-hour nursing care and accommodation.

Step 3: Organise your finances

On entry to a facility, you will be required to pay either an accommodation bond (once only) or an accommodation charge (ongoing). Regardless of what type of facility you choose, there will also be a basic daily fee to pay and there may be a 'daily income-tested fee'.

Some facilities offer you a higher level of service or a higher standard of accommodation or food. If you have chosen a higher level of services, there will also be 'extra service' fees payable.

Fees and charges

The accommodation bond

An accommodation bond can be paid in three ways, as a;

- ✚ Lump sum;
- ✚ Periodical payment; or
- ✚ Combination of both.

As no two people are alike, which method you select will be driven by;

- ⚙ Your financial situation;
- ⚙ Your preference;
- ⚙ The financial outcome desired; or
- ⚙ The consequence of various options.

The accommodation bond is a refundable amount. It's something you negotiate with the facility.

Every month while you're in the facility, the operator takes what's called a 'retention' amount from your bond. And when you leave the facility, the remaining bond is refunded to you or your estate.

It's important to note that the way you pay the bond can have an impact on your age pension entitlements.

A lump sum is exempt from the income and asset tests. Periodic payments usually aren't (unless you're renting your home out, in which case both the family home and the rental income are exempt from the tests).

The accommodation charge

Residents entering standard nursing homes (high care) may be required to pay an accommodation charge in addition to the 'Daily Care Fee'.

Unlike a bond, you can't pay an accommodation charge up front, you will be required to make ongoing payments.

Basic daily care fee

Both hostels and nursing homes charge a basic daily fee. The current maximum rate is set at 85% of the single person rate of the basic Age Pension. This fee is reviewed six monthly and indexed to inflation.

Additional daily fee

The income tested fee is based on the deemed and actual income of a resident and includes any pension amount received.

Additional services fees

Some facilities may also charge additional fees (extra services fees). This fee is more common in nursing homes but can apply in some hostels. 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; and
- ✚ 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.

How do I get started?

Aged Care is a complex area that requires careful consideration. 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 facilities' 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; and
- ✚ Ensure you understand the impact on Government benefits and entitlements, and make sure you claim everything you're entitled to.

If you want to find out more about Aged Care or have any other questions, you can contact your PSK Financial Adviser, visit www.psk.com.au or email us at info@psk.com.au for more information.

Or complete our online ['5-Minute Financial Health Check'](#) now to get a clear understanding of where you are now, and where you'd like to be.

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