

Social Security – Residential Aged Care

As you grow older, you may find that you need more help with day-to-day tasks or health care. You may be able to arrange to receive the care and services you need, while staying in your own home. However, if you need a higher level of regular care, moving into residential care might enable you to receive the care you need.

In Australia, there are a number of options to receive care and support services. Some providers offer a 'private' service, which means that the fees applicable for the services received are agreed between you and the service provider.

Alternatively, if you receive care and support from a 'Government subsidised' service provider, the Government will make a contribution to cover some of the cost of your care (where certain conditions are met). However, residential care can still be expensive, so it is important to seek advice to make sure you're able to afford the cost of the care you need if the time comes.

Step 1: ACAT assessment

The first step to moving into a Government subsidised aged care service is to organise an assessment through the 'Aged Care Assessment Team' (ACAT or ACAS in Victoria).

These are teams of health professionals, such as doctors, nurses or social workers, who will conduct an assessment of your needs to determine whether you are approved for Government subsidised residential aged care or home care packages.

To find your nearest ACAT branch, phone 1800 200 422, or visit the Government's My Aged Care website at www.myagedcare.gov.au.

Step 2: Find an available service

It may be possible to put your name on a waiting list at your preferred facility in advance of moving in to care. This might help you to receive the care you need sooner. Your local ACAT team may be able to provide a list of facilities in your area. Alternatively you can search for available places on the My Aged Care website.

A service provider is required to provide you with an Accommodation Agreement before you move in to care.

You don't have to sign and return the agreement until 28 days after you become a permanent resident.

The agreement will include certain details about the room you'll be provided, certain costs of care, and your responsibilities as a resident.

Step 3: Determine fees

There are a number of fees that you may be asked to pay when you enter Government subsidised care. The service provider will charge fees to cover the cost of accommodation as well as daily care and living expenses. Charges may also apply for other additional services.

The Government sets rules for how these fees can be charged and the amounts. More information on fees and current rates can be found on the MyAgedCare website: www.myagedcare.gov.au

Basic daily fee

Every resident is asked to pay a basic daily fee. This is a contribution towards the cost of living expenses such as meals, cleaning, laundry, heating and cooling.

This fee is set at 85% of the annual single basic rate of Age Pension and will increase each March and September in line with changes to the Age Pension rate. This fee applies regardless of whether or not the resident is entitled to Age Pension, and whether the entitlement is a full or part pension.

Means-tested fee

The Government subsidises the cost of care, but residents who have income and assets over a certain level will be asked to pay an additional means-tested fee to help cover the costs of care.

The means-tested fee is capped at an annual amount and is also capped over a lifetime.

The fee payable is calculated by the Department of Human Services (DHS) based on a combined assessment of income and assets. Income and assets are assessed using mostly the same rules as used by the DHS to calculate pension entitlements, subject to some important exceptions. While a resident is not obligated to disclose their income and assets to enable an assessment to be carried out, if a resident does agree to disclose their assets and income to the DHS to enable this fee to be calculated, the Government will subsidise the means-tested fee payable, via a payment directly to the facility.

The form you complete and the amount of information to provide depends on if you are in receipt of a government income support payment (such as age pension) or not as well as if you are a homeowner. However, if you do not provide this information, you will need to pay the full cost of your care, up to the annual maximum fee.

Accommodation payment

If you move into permanent residential care you need to pay for your accommodation. This price is set by the service provider based on factors such as location, quality of accommodation and demand. It is published on the myagedcare.com.au website as well as the service's own website.

If you have income and assets below certain thresholds you may be able to qualify as a 'low-means resident'. In this case, the Government will provide an additional subsidy to help with the cost of your accommodation.

The accommodation payment can be charged as a refundable lump sum or a daily fee. The Accommodation Agreement issued prior to moving into the facility will outline the Accommodation Payment payable for the selected room. You can also choose whether to pay this fee entirely as a lump sum or daily payment, or you can also choose any combination of these payment options.

The refundable lump sum paid is repaid to you on your estate when you leave. The service provider can only deduct and retain amounts from this lump sum if you have fees unpaid or you have asked them to deduct fees from the lump sum instead of paying the fees from your cash flow. If you pay a lump sum accommodation fee to an approved provider, repayment of the lump sum is guaranteed by the Government.

There are many strategies and options for how you pay this fee so getting financial advice is important to determine the implications and best strategy for you.

Benefits

These may include:

- Residential aged care can provide the support you need as you age and help reduce the burden and stress on your family.

Risks, consequences and other important things to consider

These include:

- The calculation of fees can be complex and decisions you make in relation to your former home and or investments can impact not only your cash flow but also your Age Pension entitlements and aged care fees payable. It is important to seek advice to compare options so you can make an informed decision.
- The accommodation costs can vary widely. You may wish to shop around and compare services in your desired location and compare the costs and what you receive for your money to determine if you can afford a place in that service.
- If you have a spouse, your combined Age Pension entitlement may increase given that the DHS/DVA will classify you as being an illness separated couple.
- Rental income derived from your family home is assessed as income for the purpose of calculating your social security entitlement and aged care fees. If you're an existing care resident and entered care prior to 1 January 2017 or 1 January 2016, you may be entitled to assessment under special rules, depending on your date of entry.
- If you rent out your home while in residential care and are absent from your home for more than six years, or if you have previously used this home as a rental property, you may have to pay capital gains tax.
- If you leave your home vacant, the home is exempt under the social security assets test for two years from the date you enter the aged care facility, during which time you are considered a homeowner. After you have been absent for two years, your home will be assessed as an asset, and DHS will consider you to be a non-homeowner. Your entitlements may decrease.
- If you pay your accommodation costs as a lump sum, either in part or in full, you can only withdraw the lump sum, and commence paying daily payments, at the discretion of the facility.
- If you draw any fees from a lump sum accommodation fee paid, the facility may ask you to top up the lump sum, or commence paying additional daily payments. This will also impact the lump sum refund you receive when you cease care at the facility. You should confirm these arrangements directly with the facility.
- If you move into an aged care facility you will not be eligible for rental assistance.
- You are required to notify the Department of Human Services/Department of Veterans' Affairs within 14 days about any change to your situation that may affect your entitlement.
- The Government may change legislation in the future, which may impact your aged care arrangements.

Version: 1.10

Issue date: 15 October 2019

Important information:

This document has been prepared by GWM Adviser Services Limited (ABN 96 002 071 749, AFSL 230692) ('GWMAS'), a member of the National Australia Bank Limited ('NAB') group of companies ('NAB Group'), registered office 105–153 Miller St North Sydney NSW 2060, for use and distribution by representatives and authorised representatives of GWMAS, NAB, Godfrey Pembroke Limited, Apogee Financial Planning Limited, Meritum Financial Group Pty Limited and Australian Financial Services Licensees with whom it has a commercial services agreement.

Information in this document is of a general nature only and does not take into account your objectives, financial situation or needs. You should seek personal financial, tax, legal and such other advice as necessary or appropriate before relying on the information in this document or making any financial investment, insurance or other decision. If this document is provided to you in conjunction

with a Statement of Advice ('SOA'), any personal financial advice relevant to the financial planning concept/strategy referred to in this document will be contained in that SOA.

Information in this document reflects our understanding of relevant regulatory requirements and laws etc as at the date of issue, which may be subject to change. While care has been taken in preparing this document, no liability is accepted by GWMAS or any member of the NAB Group, nor their agents or employees for any loss arising from any reliance on this document.

If any financial product is referred to in this document, you should consider the relevant PDS or other disclosure material before making an investment decision in relation to that financial product.