

# Aged care - making an informed decision

1 January 2023

It can be difficult to plan, both financially and emotionally, for the move into an aged care facility. When the time comes you may find yourself being confronted with a complex range of questions and decisions.

Seeking financial advice from an aged care specialist during this time can ensure that the decisions that you and your family make will be the right decisions, whilst taking into consideration the impact to your financial situation, age pension entitlement and aged care costs. Making the wrong decision could result in a loss of age pension, increased aged care costs and a reduced estate to be passed on to the next generation.

This flyer will assist you to understand the fees that may be payable within a subsidised residential aged care facility, such as paying an upfront accommodation deposit, on-going accommodation payments, living expenses and the cost of care. It is important that you seek advice to avoid the pitfalls associated with these decisions.

## First steps

### Ability assessment

To be eligible to enter an aged care facility, a person must first undergo an assessment of their physical and mental ability by the Aged Care Assessment Team (ACAT).

This assessment will generally occur once a referral has been received from a general practitioner. Based upon the results of the assessment, ACAT will determine whether the person requires home care or residential aged care.

### Financial assessment

Once the ACAT assessment has been completed and the required level of care is established, the Services Australia or Department of Veteran Affairs (DVA) will assess the resident's ability to pay fees for aged care accommodation and services.

Residents have to provide asset and income information and will need to complete a 'Residential Aged Care Calculation of your cost of care' form (Centrelink SA457 form) which outlines the resident's current financial position.

The financial assessment will consider the amount of income and assets that the resident has at the time that they enter aged care accommodation. It is important to note that failure to complete the form may result in the client being charged higher fees across the different categories.

Your financial adviser can help you to complete this form. They can also tell you if it is worthwhile to delay completing the form when negotiating the aged care fees upon entry into the aged care facility.

### Types of fees

Aged care homes charge a range of fees to cover care, accommodation costs and living expenses. These can vary enormously between facilities and from resident to resident. You may be charged for the care and services provided as follows:

- **Basic daily fee** – as a contribution toward the costs of daily living.
- **Means tested care fee** – as a contribution towards the cost of care.
- **Accommodation payment or contribution** – as a payment of or contribution towards accommodation costs
- **Extra service fees** – apply to residents occupying extra service places which provide a higher standard of accommodation services and food.

It is important that consideration is given to how a resident's assets and income are structured as this can have a direct impact on the amount of fees that they will be asked to pay upon entry and in the future. However, the level of daily fees and accommodation payments can be negotiated with the aged care providers.

### Basic daily fees

Residents in aged care can be asked to pay a basic daily fee as a contribution towards living expenses such as meals and refreshments, cleaning, laundry, heating and cooling. The basic daily fee for all permanent residents who enter an aged care home is 85 per cent of the annual single basic age pension. This is the maximum fee for all residents.

	<b>Maximum per day</b>
Resident contribution (20 September 2022 to 19 March 2023)	\$56.87

The basic daily fee is indexed on 20 March and 20 September each year in line with the indexation increases to the age pension. The current rates can be found at [www.health.gov.au](http://www.health.gov.au).

### Means tested care fee

Residents in permanent aged care may be asked to pay a means-tested care fee in addition to the basic daily fee. Residents with a means tested amount (based on assessable assets and income) above the maximum accommodation supplement may be asked to pay a means-tested care fee.

There are annual and lifetime caps that apply to the means tested care fee, as follows:

#### Caps

Annual cap \$30,574.33  
 Lifetime cap \$73,378.49

**Note:** The basic daily fee does not count towards these caps.

The current rates can be found at [www.health.gov.au](http://www.health.gov.au).

### Accommodation payments

Residents with sufficient assets and income may be asked to pay an accommodation payment. The Government sets the minimum assets a person must be left with if they pay at least part of their accommodation costs by refundable lump sum. A person cannot be asked to pay a refundable lump sum that would leave them with less than the minimum asset amount.

Minimum asset amount \$55,000\*

\* Per person for a couple and excludes the family home if a spouse remains within the home.

There are payment options for the accommodation payment. The accommodation payment can be paid as a:

- refundable lump sum
- daily payment
- combination of refundable lump sum and daily payment.

Where accommodation payments are payable, the amounts and payment methods can vary – they can be negotiated with the aged care provider but it cannot exceed the advertised amount.

If the resident chooses not to pay the entire accommodation payment as a lump sum to the aged care facility, interest can be charged on the unpaid amount. This is known as a daily accommodation payment. The maximum interest rate charged is determined by the Government and the maximum permissible interest rate for all new residents entering care between 1 January 2023 - 31 March 2023 is 7.06%.

A lump sum paid is guaranteed by the Government and will generally be refunded to the residents or their estates within 14 days of leaving the aged care facility or within 14 days of receiving probate.

### **Did you know?**

There are different ways to reduce aged care fees, maximise your age pension entitlement and provide sufficient regular cash flow to meet your needs. In some instances paying all or most of your accommodation costs as a lump sum and/or keeping your former home could deliver a better outcome. Speak to your financial adviser before acting.

### **Extra service fees**

Some aged care facilities provide extra services which can be offered across the whole facility or to a designated part. Extra service means that the facility will provide the residents with a higher standard of accommodation and/or services.

The higher standard of accommodation and/or services will be paid for in the form of an extra service fee.

**Please note:** The choice to offer extra services is not mandatory for aged care facilities.

It is essential to check whether the aged care facility offers extra services and what costs are involved.

Extra services does not mean that you will be provided with a higher level of care (such as nursing), because all homes have to provide the same level of care to the other residents. Some examples of extra services could be a bigger room, a wider choice of meals or wine with meals.

Accommodation and services vary from one facility to another, so you will need to check with the provider to find out whether they provide extra services and if so, what are the costs involved.

### **Enduring power of attorney**

If you wish a member of your family or close relative to obtain information from financial institutions and make financial decisions on your behalf, that person will need to be granted an enduring power of attorney.

Your financial adviser will be able provide you information on how to establish this document.

### **Conclusion**

Ensuring that you make the right decisions about aged care will depend upon a multitude of factors. Speak to your financial adviser who can help you make the right financial decisions.

Ask your Bridges financial planner for more information.

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