



Part of the Affinity Group of Companies



## *Residential Aged Care*

Your Financial Guide to Aged Care

Report Prepared By Affinity Aged Care

## *Your Guide to Aged Care*

For most of us, growing older means at some stage we will find it difficult to manage our day to day living activities. You may feel you need help, or you may care for a friend or family member who needs help, but you don't know where to start or what assistance you can access.

There are many different types of aged care services available to support you whatever your needs, including Residential Aged Care.

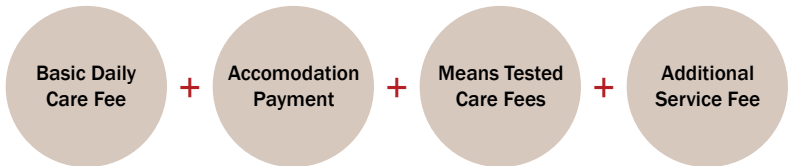
### *Residential Aged Care Facilities*

Sometimes, the best way to receive help and support can be by living in an aged care home, either permanently or for a short stay (called residential respite). You will need to be assessed and approved for residential aged care by the Aged Care Assessment Team (ACAT).



## *Fees And Charges*

A resident can be asked to pay the following fees

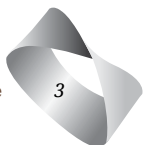


The **BASIC DAILY CARE FEE** applies to all residents of an aged care facility. It is set at 85% of the Centrelink Age Pension (excluding the Pension and the Clean Energy Supplements) currently \$47.86 per day.

**ACCOMMODATION PAYMENTS** are subject to a market price model and aged care facilities are required to publish the market price of their accommodation payments in their brochures, their websites and on the My Aged Care government website ([www.myagedcare.gov.au](http://www.myagedcare.gov.au)).

A market price Refundable Accommodation Deposit (RAD) in excess of \$550,000 will need to be approved by the Aged Care Pricing Commissioner. The Daily Accommodation Payment (DAP) is calculated from the Refundable Accommodation Deposit (RAD) amount at a government set interest rate which is currently 6.14%.

For example, if the market price RAD was \$400,000, the DAP would be \$67.29 per day. Of course you may decide to pay \$200,000 by RAD and \$200,000 by DAP in which case the DAP would be \$33.64 per day. Any amount of RAD you pay will be an exempt asset for the calculation of your pension entitlement. However, payment of a RAD will be included in the asset calculation for the Means Tested Care Fee.



Residents of an aged care facility will be assessed by the government based on their assets and income to determine their capacity to pay a **MEANS TESTED CARE FEE**.

The formula that is applied is:

- 50¢ per dollar of income above \$25,487.80 p.a. (single), \$25,019.80 p.a. each (couple) *plus*
- 17.5% of assets between \$46,000 - \$157,987.20 *plus*
- 1% of assets between \$157,987.20 - \$381,961.60 *plus*
- 2% of assets above \$381,961.60 *minus*
- The accommodation supplement of \$53.84 per day

Income is assessed under the same rules that Centrelink applies for pension entitlements. Assets, both within Australia and overseas, are assessed at market value. If you are a member of a couple your assets and income will be assessed on a 50/50 basis. The former home will be assessed at a value of \$157,987.20 (indexed) unless a protected person is living there, in which case it is exempt from the assessment (conditions apply).

A protected person includes:

1. a spouse or dependent child
2. a carer, who is eligible to receive an Australian Income Support Payment, who has been living there for at least 2 years or
3. a close relative, who is eligible to receive an Australian Income Support Payment, who has been living there for at least 5 years.

**ADDITIONAL SERVICE FEES** are other amounts agreed between the resident and the aged care facility.



## *Low Means Aged Care Residents*

A common misconception about moving into an aged care facility is that you will not get in if you do not have enough money. In reality, most aged care facilities need to keep a ratio of people who are financially disadvantaged to receive funding from the government, the exception is extra services facilities.

Your eligibility to have some (or all) of your accommodation costs subsidised by the government is based upon your assets and income. People with assets below \$46,000 and income below \$25,487.80 p.a. (single) or \$25,019.80 p.a. each (couple) will not be required to make a contribution towards their accommodation costs. They will be considered a Low Means Resident and will only pay the Basic Daily Care Fee.

People with assets above \$46,000 and income above \$25,487.80 p.a (single) or \$25,019.80 each p.a. (couple) may be eligible for partial government support towards their accommodation costs should their means tested assessment be less than \$53.84 per day.

### *John's Example*

For example, John is single with income of \$27,000 pa and assets of \$90,000. He would have the ability to contribute as follows:

- The income contribution at 50¢ for each dollar above \$25,487.80 = \$756.10 per annum
- The asset contribution at 17.5% of assets above \$46,000 = \$7,700 per annum

*In addition to the basic daily care fee of \$47.86 per day, John's accommodation contribution would be \$23.23 per day.*

## *How Can Aged Care Financial Advice Help?*

Aged Care decisions are complex and specialist advice is needed. The correct structuring of your assets and income can ensure you maximise your pension entitlement, minimise the ongoing cost of aged care and have your estate planning wishes met.

### *Mary's Example*

*The example of Mary below shows how seeking financial advice before making any aged care decisions can assist in significantly improving your final outcome.*

Mary is age 80, widowed and enters a residential aged care facility in April 2015. Her assets comprise of the family home valued at \$400,000 and \$190,000 in her bank account. Mary currently receives a Centrelink Age Pension of \$843.27 per fortnight which is 97% of the maximum amount payable.

The facility requires a Refundable Accommodation Deposit (RAD) of \$300,000. Mary does not believe she has any other option except to sell her family home of 50 years to pay for the RAD. She retains the residual in her bank account.

Under this 'sell the family home' scenario, Mary would be required to pay the basic daily care fee of \$47.86 plus a means tested care fee of \$20.66 per day. Her Centrelink Age Pension benefits would reduce to \$780.77 per fortnight.

As an alternative scenario, Mary could have used \$175,000 from her bank account to pay part of the RAD and the remaining \$125,000 as an ongoing Daily Accommodation Payment (DAP) of \$21.03 per day. The family home could then be kept and rented out to meet the ongoing DAP liability in the aged care facility. If cash flow was a concern, Mary could also elect to have the ongoing DAP deducted from the RAD.

This scenario of keeping the family home would reduce Mary's means tested care fee to \$5.22 per day, an annual saving of \$5,635.60 on the means tested care fee when compared with the "sell the family home" scenario. In addition, Mary would be entitled to the full Centrelink Age Pension of \$867.00 per fortnight.



## *The Affinity Solution*

Affinity Wealth Services is an independently owned boutique wealth management business specialising in servicing the needs of senior professionals, corporate leaders and business proprietors. It also has a specialist aged care advice division, Affinity Aged Care.

The firm has its own Australian Financial Services Licence and is not owned by or aligned with any financial institution. Affinity Wealth Services has been assisting clients to achieve their financial goals for over 20 years. The business has offices in both the Sydney CBD and Norwest Business Park and employs 24 staff across four divisions: Financial planning, accounting, asset management and aged care financial advice.

## *Why Choose Affinity Aged Care?*

Entry into aged care can be a challenging time for both the person and their family. The finances are notoriously complex with possible implications for:

- Keeping or selling the family home
- Aged care facility fees
- Centrelink Age Pension/DVA Pension entitlements
- Cash flow requirements
- Potential tax implications
- Intergenerational wealth transfer

Most financial planners have only a limited understanding of aged care financial advice. Even most advisers find it overwhelming! It is very much a 'niche' that demands specialist attention and hands on experience.

Affinity Aged Care Financial Advisers are your aged care financial specialists. Your loved one's aged care needs are the sole focus of our advice process.





## *Affinity Aged Care Advisers Are Here To Listen*

Each situation is unique and we need to understand it. We will ask a lot of questions as part of our research so the advice we provide can deliver the best financial outcome for you.

We will provide you with a range of financial options so you and your family are empowered to make an informed decision. Our advice is tailored to you and your loved one to deliver better choices and a clear path for the journey ahead.

## *Our Process And Fees Are Fully Transparent*

Affinity Aged Care prides itself on providing personalised, easy to understand advice that always puts the needs of clients first and foremost. For this reason, we charge on a fee for advice basis and do not accept commissions from product providers. Under these arrangements, transparency is guaranteed, our interests are aligned only with those of our clients and any potential conflict of interest is eliminated.





## *Meet The Affinity Aged Care Adviser Team*



*Robert Craven*  
*Senior Aged Care Adviser*

Rob has over 40 years' experience as a financial adviser but now works exclusively assisting families to negotiate the complexities of the aged care system. He fully appreciates the emotional trauma that partners and families go through when settling a loved one into an aged care facility and he prides himself on minimising the worry about all financial aspects of this process.



*Donald Swanborough*  
*Aged Care Adviser*

Don has over 30 years' experience in the financial services industry and is an Accredited Aged Care Professional™. Don's professional time is now spent exclusively on assisting people with their financial, Centrelink and/or Department of Veteran Affairs needs when they, their partner or their parents need to enter an Aged Care facility.



*Hilary George*  
*Aged Care Adviser*

Hilary started working in the finance industry in 1985. Prior to joining Affinity Aged Care in 2015, Hilary was employed as an economist for the Commonwealth Department of Treasury as well as senior corporate finance roles with some of Australia's largest companies. Hilary now works exclusively as an aged care adviser, assisting families by providing them with clarity and peace of mind when entering residential aged care.





***Keith Jones***  
*Senior Partner and Adviser*

A financial adviser since 1990, Keith is a senior partner and adviser in the company. He is a Certified Financial Planner™ and is strongly respected in the financial services industry. Keith is a regular panellist on the Sky News Business programs 'Your Money Your Call' and 'Money Management' and a commentator in leading publications such as the 'Australian Financial Review'.

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***Kate Golder***  
*Partner and Senior Adviser*

A financial adviser since 2002, Kate is a senior adviser and partner in the company. She is a Certified Financial Planner™ and has built a sound reputation based upon a consistent delivery of excellent knowledge and expertise in all facets of financial planning including aged care financial advice. Kate is a regular panellist on the Sky News Business programs 'Your Money Your Call' and 'Money Management'.

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***Ben Graham***  
*Senior Adviser*

Ben is a Certified Financial Planner™ with 10 years' experience in the financial planning and wealth management industry. He holds a Bachelor of Engineering (Honours) from the University of Leeds. Ben has also completed a Graduate Diploma of Financial Planning through the Financial Services Institute of Australasia and is a member of the Financial Planning Association of Australia.



*Fiona Slavin*  
*Adviser and Senior Paraplanner*

Fiona has worked in the financial planning industry since 2000, specialising in paraplanning and providing client advice. Fiona holds a Bachelor of Economics from the University of New England. Fiona has also completed a Graduate Diploma in Financial Planning from the Securities Institute of Australia and is a Certified Financial Planner™.

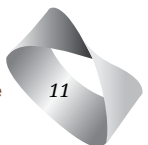


*Danni Dixon*  
*Aged Care Advice Services*

Danni stated working in the financial planning industry in 2006 and joined Affinity Wealth Services in 2009 as a client services manager. She now works exclusively in the Affinity Aged Care team assisting the financial advisers complete aged care advice. Danni holds a Bachelor of Science from the University of Western Australia and a Diploma in Financial Planning from Kaplan Professional.

## *Would You Like To Discuss This Further?*

For more information or to discuss this further, please contact our head office. Our aged care advisers service Sydney Metropolitan, Central Coast and Regional NSW.



Affinity Aged Care Sydney Pty Ltd trading as Affinity Aged Care  
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#### DISCLAIMER

The information contained in this booklet is general in nature and is based on rates and thresholds current as at 20 September 2015.

The application of the information in this document will depend on your personal circumstances. We recommend you consult a financial adviser whose advice will take into account your particular investment objectives, financial situation and individual needs.