Navigating the Aged Care maze

As a nation we are living longer, and needing to plan for the future has become inevitable.

If you or a family member have begun to consider Aged Care or wondered what is involved, you may have found the process to be confusing, complex and often an emotional one.

On 1 July 2014

Significant changes to Aged Care fees came into effect, including:

- Removal of the distinction between low level and high level care;
- Residents to contribute towards cost of care;
- Greater transparency in accommodation and care costs; and
- Formal means testing introduced for home care from 1 July 2014.

The value of financial advice

Major decisions need to be made during the transition to Aged Care, and many of them can involve greater costs and tax implications than you may expect.

In an already difficult time for all those involved, you don’t need to go it alone. Your FMD adviser can guide you and your family through the process and provide an objective analysis of the placement and financial options available - providing you with ongoing support during and after an often confusing process.

Your Will and Estate Planning

The first major area to consider during the Aged Care process is your Estate Planning.

Your FMD adviser will take you through the importance of your Will, Beneficiaries, Enduring Powers of Attorney, Enduring Powers of Guardianship and Advanced Care Directives. We also partner with legal professionals to ensure you are looked after from all ends of the spectrum.

The Aged Care Process

After reviewing your Will and Estate Planning:

- Individuals are often referred to an Aged Care Assessment Team (ACAT/ACAS) for assessment
  - You can also apply individually for an assessment
  - ACAT/ACAS will determine whether or not you need care

- You will need to determine the type of facility which suits you best taking into account:
  - Location
  - Services Offered
  - Cost
  - This is a very involved process
  - FMD partner with Millennium Aged Care Placement Consultants, who specialise in this area

- Once your facility has been determined, you will need to look at your financial position with consideration to the following:
  - How are my assets structured?
  - How does moving into a facility affect my assets and income?
  - What do we do with the family home?

- At this point your FMD adviser is able to look at appropriate strategies that impact on the following:
  - Maximising Age Pension Benefits
  - Reducing Daily Means Tested Care Fees
  - Managing Cash Flow Requirements
  - Managing Taxable Income

- Once the initial stages have been addressed, regular reviews and updates are required to ensure the following:
  - Your objectives are being met
  - Your assets are structured in the most effective manner
  - You are reducing your Aged Care fees where applicable
Aged Care (continued)

Types of care

Residential Care
Since 1 July 2014, there is no longer a split between 'low' and 'high' level care, and only one type of approval for residential Aged Care.

Home Care
Home care can help individuals stay home for as long as possible, with access to personal care, support services and clinical care. The four levels of support for home care are Basic, Low, Intermediate and High.

How much will Aged Care cost?
For new residents from 1 July 2014, the following residential Aged Care fees are in place:

<table>
<thead>
<tr>
<th>For new residents from 1 July 2014</th>
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</thead>
<tbody>
<tr>
<td><strong>Accommodation Payment</strong></td>
</tr>
<tr>
<td>Payable as a lump sum or regular payment</td>
</tr>
<tr>
<td>Determined by Aged Care Provider</td>
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<tr>
<td><strong>Basic daily fee</strong></td>
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<tr>
<td>Payable by all residents</td>
</tr>
<tr>
<td>85% of Age Pension</td>
</tr>
<tr>
<td><strong>Means tested care fee</strong></td>
</tr>
<tr>
<td>Payable by residents who have the means</td>
</tr>
<tr>
<td>Determined by assessable income and assets</td>
</tr>
<tr>
<td><strong>Extra optional service fee</strong></td>
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<tr>
<td>Payable where extra services are selected</td>
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<tr>
<td>Based on extra services taken</td>
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Accommodation Payment
- Accommodation payment is payable as a lump sum or periodical payment or a combination of both. It is determined by Aged Care Provider; and pays for accommodation; and
- The lump sum payment is like an interest-free loan to the approved provider, and it is refunded to the resident or estate upon leaving the facility.

Basic Daily Care Fee
- The Basic daily fee is non-negotiable and payable by all residents, equating to 85% of the Age Pension (excluding supplements). The fee pays for ongoing care and living expenses, such as nursing care, laundry, heating and cooling;
- The Basic Daily Care Fee is indexed on 20 March and 20 September each year.

Means Tested Care Fee (MTCF)
- The MTCF is payable by all residents and is determined by your assessable income and assets; and
- As your assets now play a larger role in the MTCF, your FMD adviser can take you through a range of strategies which may help to reduce your required costs. (Lifetime cap of $63,313.28[1] and Annual cap of $26,380.51[1]).

Extra or Additional Optional Services Fee
- Payable where extra services are selected (non-essentials);
- Extra services include the provision of 'hotel' type services or lifestyle extras, including a bigger room, access to a wider range of leisure and entertainment facilities; and
- Fees vary across providers and range from $10 a day to $150 a day. Average is generally around $40-$50 a day.

Should I sell the family home?
Often one of the more emotional issues, selling the family home is an integral aspect of Aged Care.

Retaining the family home is (indirectly) an asset reduction opportunity for the purpose of the means tested care fee.

In light of the above, it is important to seek advice from your FMD adviser before making any decisions.

[1] Accurate as at April 2017

For more information, visit www.myagedcare.gov.au