

## What are the key financial issues *upon entering an Aged Care Facility?*

Aged care facilities are categorised by the Commonwealth government on their levels of care: predominantly high, low and ageing in place (a mixture of high and low care). A person who requires care must be assessed by the Aged Care Assessment Team (ACAT or ACAS) before entering into an Aged Care Facility or Service. ACAT will determine what level of care and services the person will need (low, high or ageing in place).

Based on the classification of care by ACAT/ACAS the person needing care will select an Aged Care Facility or Service that best suits their needs.

### What are the types of fees, charges and accommodation payments an Aged Care Facility can charge?

Before entering an Aged Care Facility, the Approved Provider of that Facility will ask the person to complete an assets assessment so the Approved Provider can determine the person's financial status and the fees the person may need to pay. These fees include:

#### Daily care fees

All residents are asked to pay a daily care fee set by the Department of Health and Ageing and based on a maximum of 85% of the base age pension and subject to rise biannually in line with the age pension increase regardless of a person's pension status.

#### Income Tested Fee

Some residents may be required to pay an income tested fee dependent on how much additional income they earn above the full age pension amount. A full age pensioner who receives the income support supplement will not be charged an income tested fee. This fee is set by the Department of Health and Ageing based on information the resident has supplied to their pension provider (DVA/Centrelink).

#### Accommodation Payments

There are two types of accommodation payments people can be asked to pay when entering aged care:

*Accommodation Bond* – is an amount of money based on the resident's assets. The amount paid and terms of payment are negotiated between the resident and the Approved Provider of the Aged Care Facility in line with the *Aged Care Act 1997* and the Prudential Guidelines. The Bond may either be paid

as a lump sum, as periodic payments or a combination of both. This Accommodation Bond is held by the Approved Provider, and monthly retentions as set by the Department of Health and Ageing are drawn off the Accommodation Bond for a maximum period of 5 years. Accommodation Bonds are generally only applicable when a resident enters as a low care resident into an Aged Care Facility however Accommodation Bonds can be rolled over when a resident requires high care or needs to be transferred to a high care facility.

*Accommodation Charge* – is in place of an accommodation bond and can only be charged when a resident enters an Aged Care Facility as a High Care Resident. This is a daily charge in addition to the Daily Care Fee and is based on the person's assets and set by the Department of Health and Ageing.

*Extra Service Fees and Bonds* – Extra service fees are fees that are paid for higher standards of accommodation and services.

### What strategies are available to reduce Aged Care Fees, Charges and Accommodation Payments?

There are a number of financial strategies that can be employed to reduce or negate the aged care fees, charges and accommodation payments as described.

Some of these are:

- Purchasing an insurance bond
- Utilising superannuation and income streams
- Paying a higher accommodation bond.

The benefit of using one or more of these strategies will depend on many factors and prospective residents should see a professional financial adviser to assist in determining if it is appropriate for them to implement strategies such as these.

### How does Centrelink/DVA treat the money paid for an Accommodation Bond?

An Accommodation Bond paid as a lump sum is asset test exempt regardless of the amount paid under pension provider testing rules. Accommodation Bonds are not income tested or deemed as the interest earned on these Accommodation Bonds is the property of the Approved Provider whilst the Accommodation Bond is held by the Approved Provider.

### What is the Centrelink/DVA age pension rate for a couple separated due to half of the partnership entering an Aged Care Facility?

Centrelink/DVA will deem the partners to be single for pension purposes whilst they are living in separate dwellings or separate rooms in the same Aged Care Facility for the purpose of receiving care.

### Should a person sell or keep the family home when moving into an Aged Care Facility?

There are many factors which influence the decision on whether an individual should sell or keep the family home when making the decision to enter aged care. These include the needs of family remaining in the home and Centrelink assessments.

A resident's former home will be exempt from the Centrelink assets tests:

- if the resident's spouse continues to live in their home; or
- for two years from the date the resident enters care; or
- if the resident is paying either an accommodation charge or a periodic accommodation bond and rents their former home.

In any of these three circumstances, the resident will be assessed as a homeowner for Centrelink purposes.

### What happens if the spouse also enters a facility?

When the resident's spouse enters a care situation after the resident, the two year exemption will commence from the date the second spouse entered care.

### What if the spouse temporarily vacates the home?

If the resident's spouse vacates the home for a reason that is not illness or care related, the home ceases to be exempt after the longer of:

- twelve months from the date the spouse vacated the home, or
- two years from the date the resident entered care, should the spouse not return to the home within twelve months.

These time frames may be extended should the resident be paying either:

- an accommodation charge, or
- a periodic accommodation bond and they rent the former home.

## Who is Australian Unity Personal Financial Services?

We specialise in providing professional strategic advice to help you improve your current financial position and ultimately achieve your long term lifestyle goals.

Importantly, our initial advice isn't a 'set and forget' service. Instead we offer you regular financial mentoring and ongoing guidance – in all aspects of your personal finances – to set you, and keep you, on the path to financial wellbeing.

Our team of experienced financial professionals can provide you with a detailed and totally tailored blueprint for financial success in any or all of the following areas:

- Financial advice
- Retirement planning
- Superannuation
- Wealth creation
- Investments
- Home loans

- Commercial loans
- Equipment finance
- Personal estate planning
- Personal risk insurance
- Investment loans
- Car finance
- Business estate planning
- Business risk insurance.

Australian Unity has a proud 160 year heritage of helping Australians create secure financial futures. This pedigree and experience, combined with our corporate strength and leading edge strategic advice capability, means we are uniquely placed to offer you high quality personal financial services... each finely tuned to your particular needs to ensure you achieve your vision of a secure financial future.

After all, your financial wellbeing is at the heart of everything we do.

**MoneyInsights**<sup>®</sup>  
with Australian Unity Personal Financial Services

Australian Unity Personal Financial Services is committed to providing Australians with a genuine understanding of their investment options. This is achieved via our comprehensive investor education program called Money Insights.

*Because knowledge is the first step to creating a secure financial future.*

The information in this document is general advice only and does not take into account the objectives, financial situation or needs of any particular person. You should obtain financial advice that addresses your specific objectives, financial situation and needs before making investment decisions. Whilst every care has been taken in the preparation of this information, Australian Unity Personal Financial Services Ltd does not guarantee the accuracy or completeness of the information. Any taxation position described is a general statement and should only be used as a guide. It does not constitute tax advice and is based on current laws and their interpretations. Australian Unity Personal Financial Services Ltd ABN 26 098 725 145, AFS Licence No. 234459, 114 Albert Road, South Melbourne, VIC 3205. This document produced in May 2011. © Copyright 2011. PFS105 05-11