



Planning ahead for aged care needs

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Disclaimer



- The information contained in this presentation is intended to provide a brief outline of legislation as at 1 July 2018.
- Rates are current to 19 September 2018
- It is based on our understanding of the present laws and Government announcements and the assumption that they will continue.
- These are general statements and should be relied upon as a guide only, as an individual's circumstances can be quite different. You should seek advice about how the relevant laws impact on your particular circumstances.
- The rates of return and inflation used in the projections are estimates only and are intended to be only a guide to future performance. No guarantee of investment performance is given or implied through the use of these projections and actual returns will differ from those indicated. Past performance should not be taken as a guide to future performance.
- We recommend that you refer to the relevant Product Disclosure Statement where reference is made to a particular product before taking any action.
- Aged Care Steps ABN 42 156 656 843 holder of AFSL No 486723

Planning ahead is key



- Achieve life goals
- Provide living standards
- Plan for the expected and provide a contingency for the unexpected
- Being prepared for “aged care” at **all ages** *to provide choices* and dignity and minimise the stress

Why planning is important

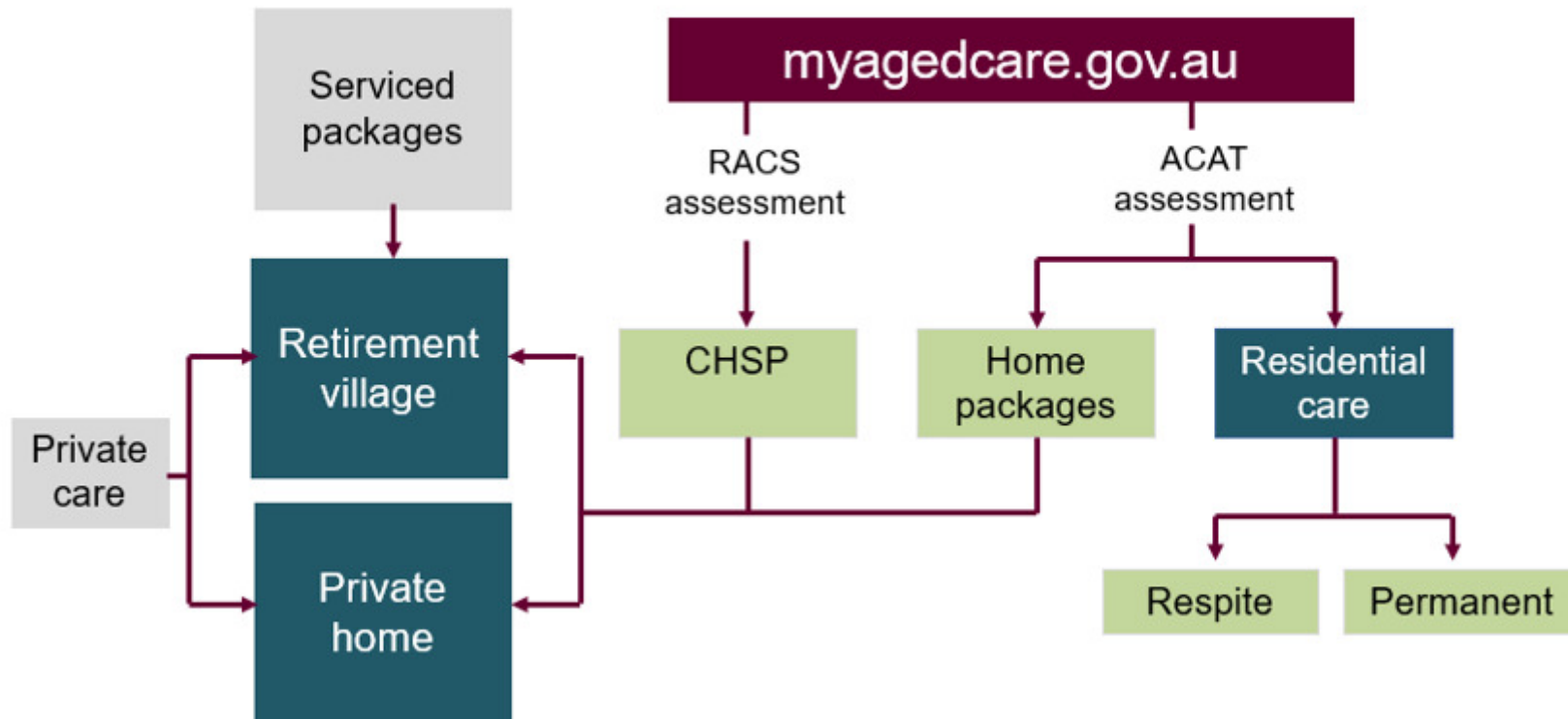


People over age 85 with dementia

- Dementia would be 18th largest economy (if a country)
- One person every 3 seconds in the world
- Over half of people in aged care
- 2nd leading cause of death in Australia

Source: www.dementia.org.au/statistics

The range of care options



Expect the costs to rise



Home care packages

Government pays:

- Average 70-90% of cost
- Averages \$16,760 pa per client

Clients pay:

- \$3,767 - \$14,553 pa
- Income-tested

Residential care

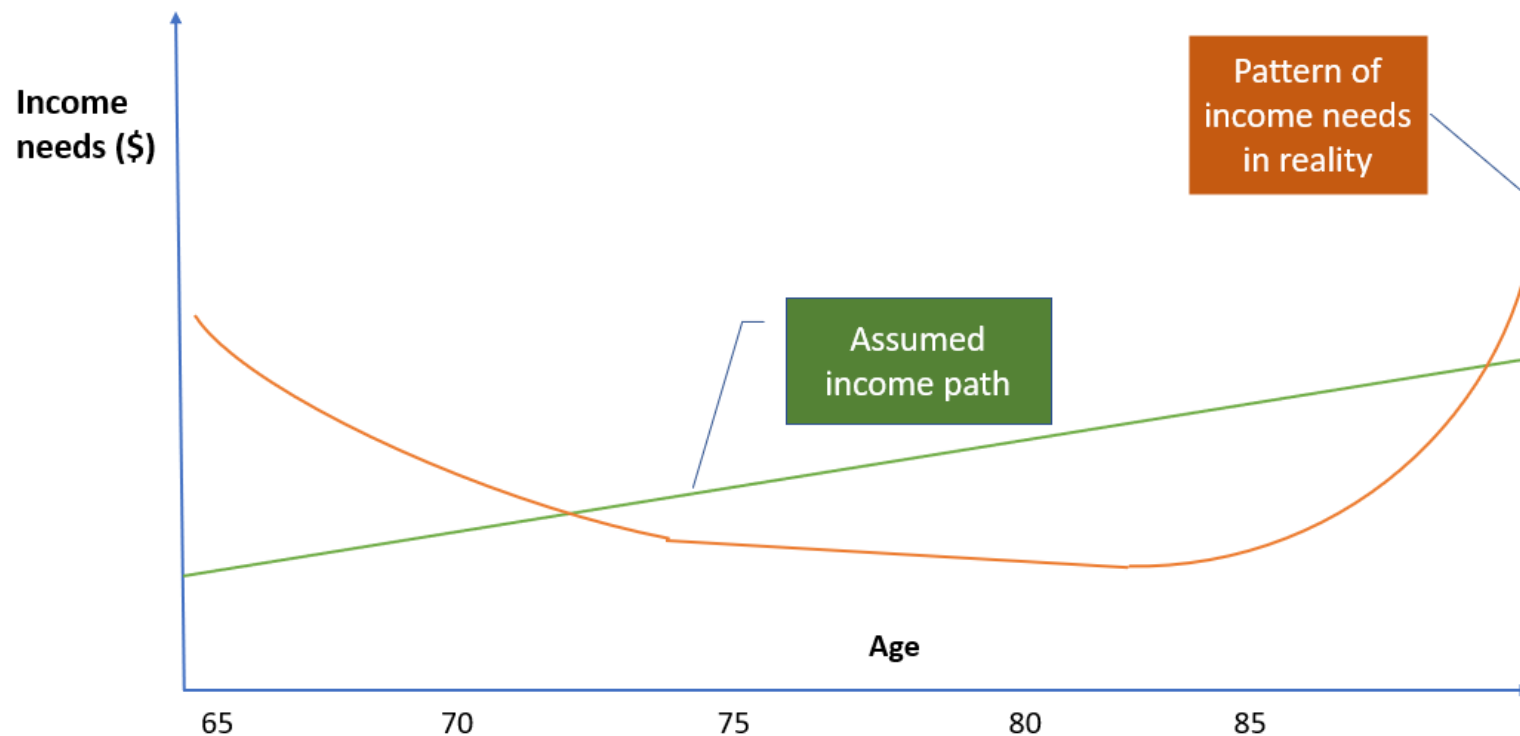
Government pays:

- Average 66% of cost
- Averages \$48,403 pa per resident

Clients pay:

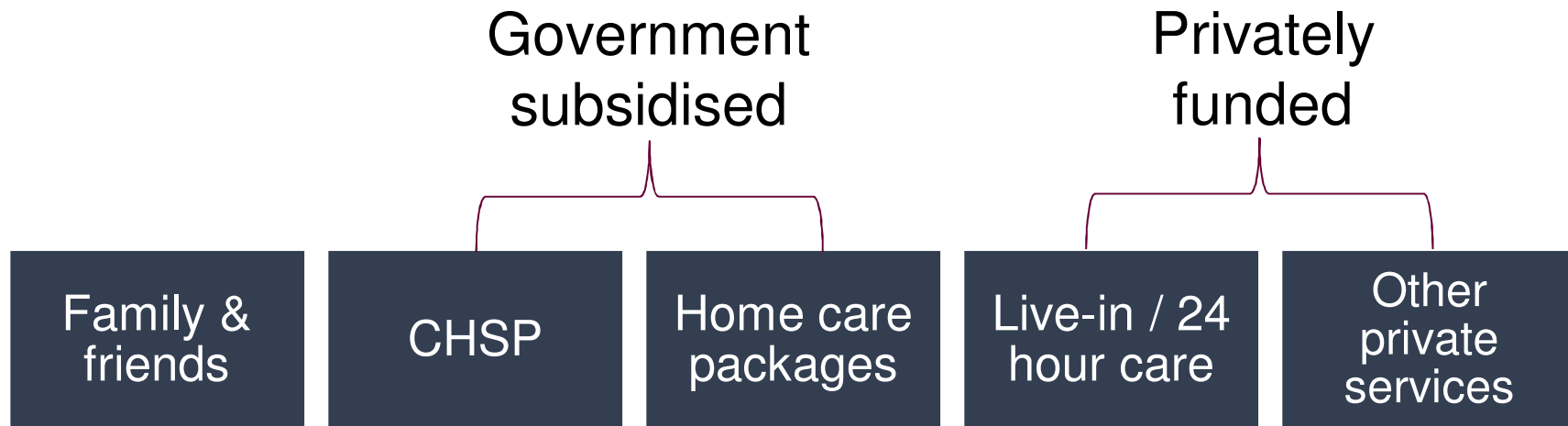
- \$18,308 - \$45,273 pa plus accommodation (average around \$400k) and extras
- Means-tested

Plan retirement income patterns



Looking at home care

Home care options



- Access and choices depend on: location, availability, personal circumstances and financial well-being
- Importantly, the greater your financial security the more options you may have available

Cost of home care package



Basic fee	\$10.32 per day or \$3,767 p.a.			
	Full pensioners	Part-pensioners	Self-funded	
Income-tested fee*	<ul style="list-style-type: none"> NIL 	<ul style="list-style-type: none"> Up to \$14.81 per day capped at \$5,393 pa 	<ul style="list-style-type: none"> Up to \$29.63 per day capped at \$10,786 pa 	
Max total cost to consumer (before extras)	\$3,767 p.a.	\$9,160 p.a.	\$14,553 p.a.	
	Level 1	Level 2	Level 3	Level 4
Total budget pa	\$12,037	\$18,812	\$36,843	\$54,052

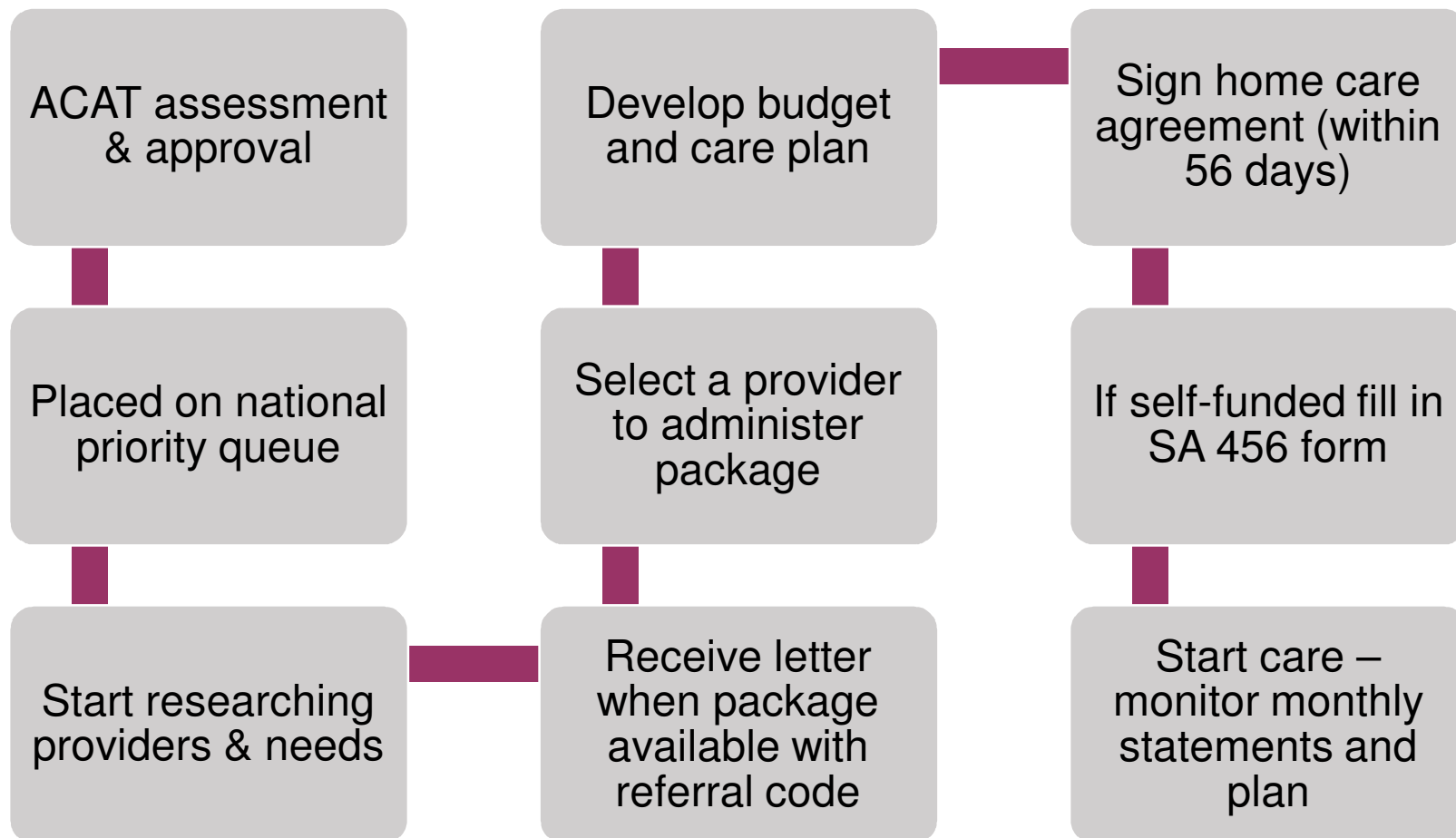
The reality check on home care



Assume approved for Home Care – Level 4 package

- Total budget of \$54,053 per annum
 - Part needs to pay for administration and case management fees - assume 25% of package (could be more or less)
 - Leaves \$40,540 pa for care
 - If service provider charges \$60 per hour plus \$100 per week for travel time ...
 - Package covers 11 hours a week of care services
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- Is this enough? What other resources or networks?
 - Expect a waiting period of 12 months+

An overview of home care



Tips to maximise value



- Consider what services you need and want to pay for
- Choose provider carefully
- Compare admin fees (including exit fees)
- Check monthly statements

Looking at residential options

How do they compare?



Retirement village

You pay all costs

May not get all purchase price refunded

Money at risk if operator goes into liquidation

Independent living (access home care or pay for serviced options)

Residential care

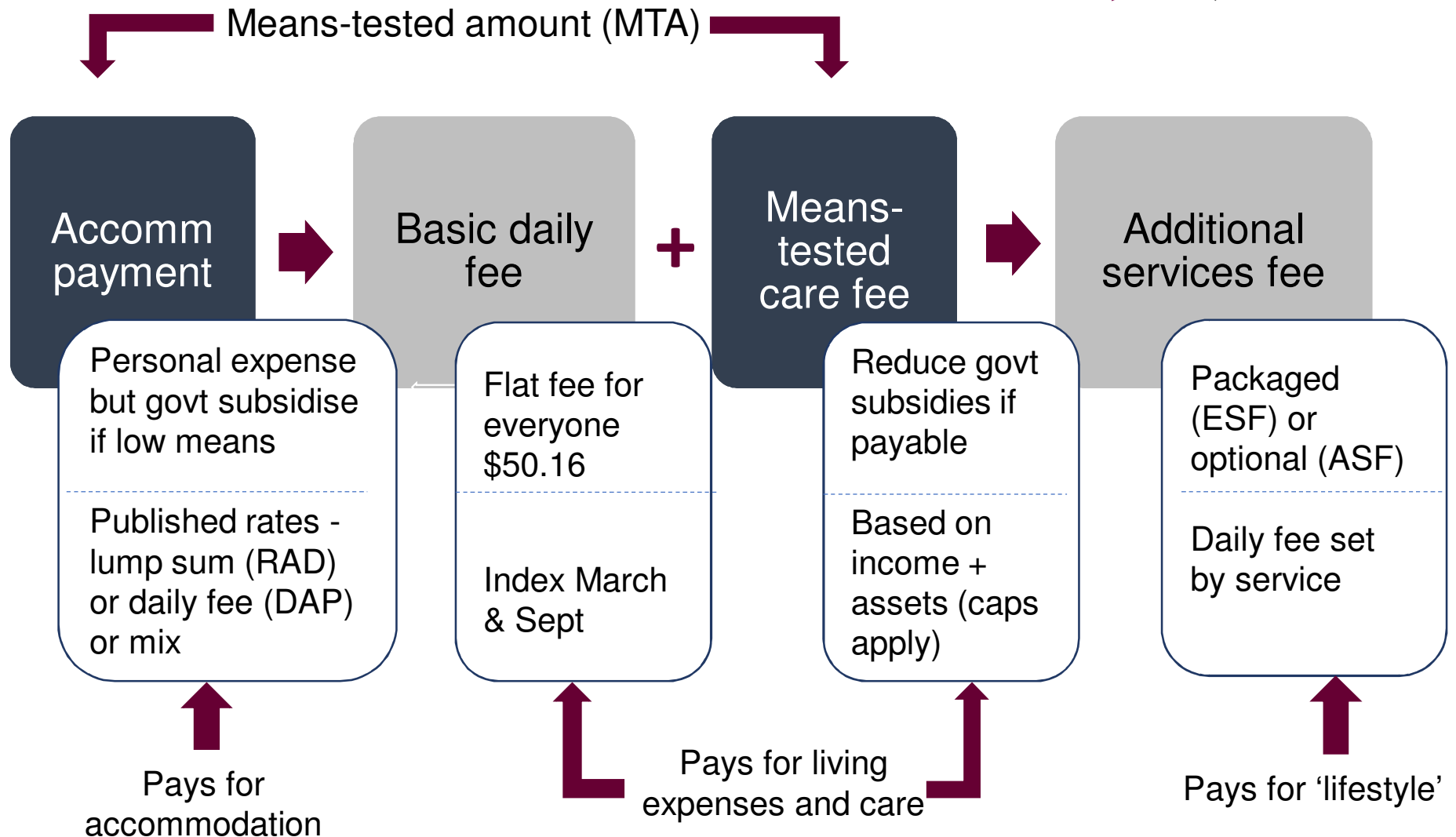
Government subsidised

Full accommodation cost refunded (unless deduct fees)

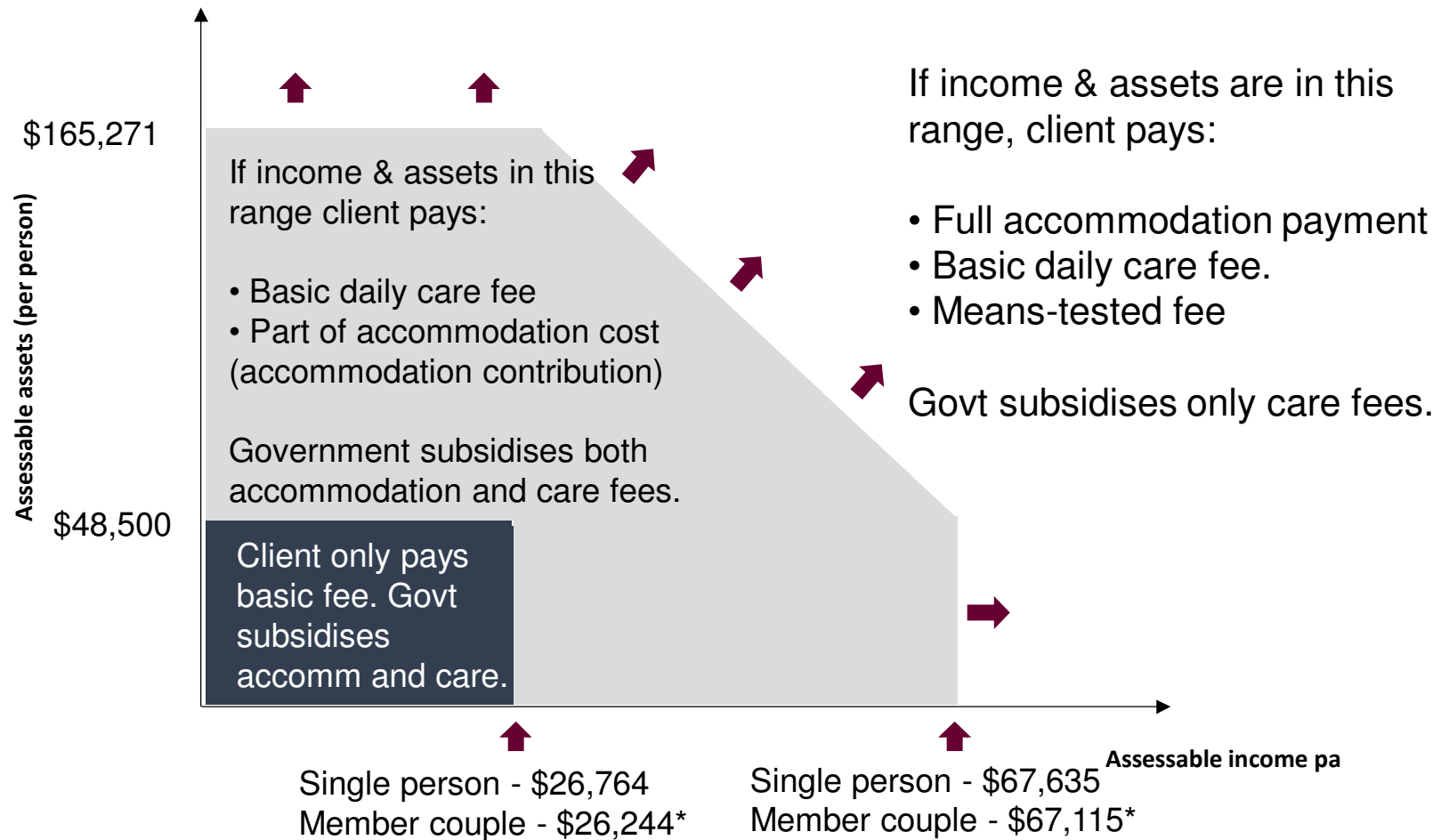
Government guaranteed

Fully supported living

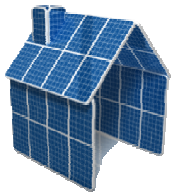
Residential aged care fees



When do subsidies apply?



Ethel moves into care



\$600,000



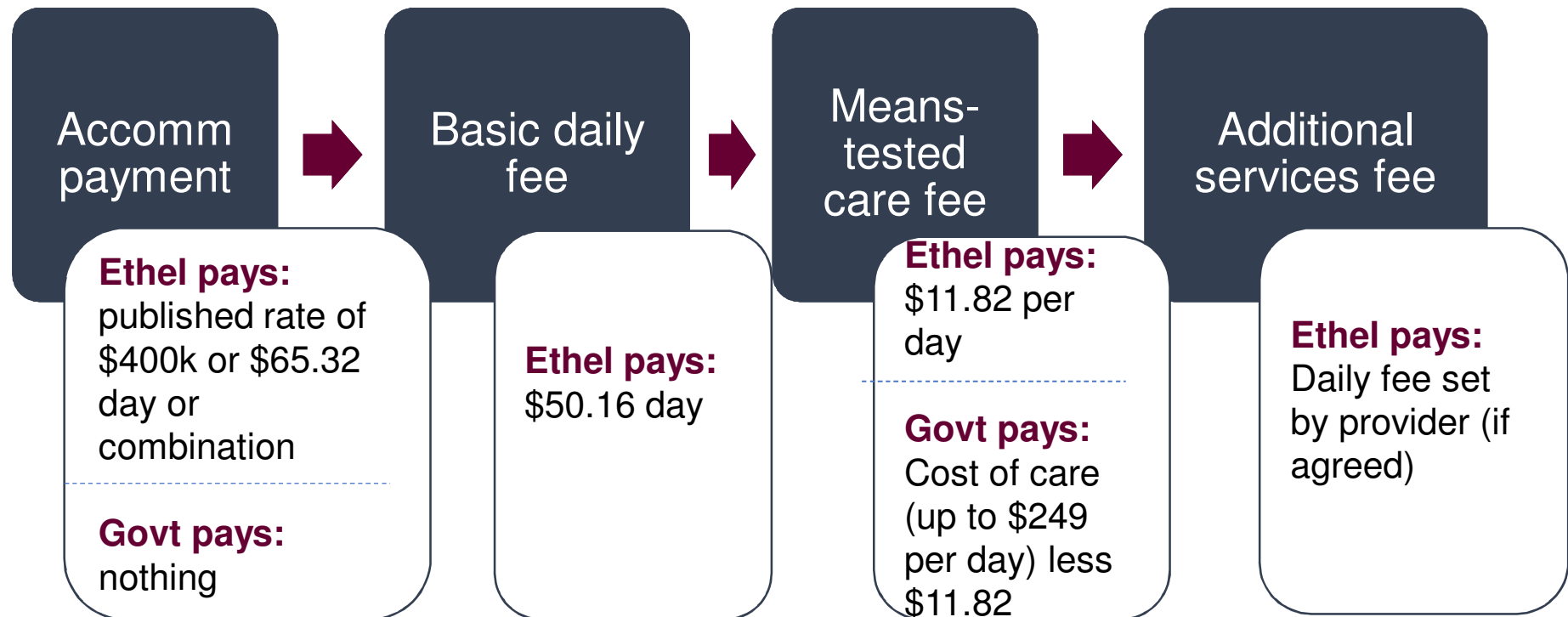
Cash & shares
\$300,000

Accommodation payment
\$400,000

Decisions:

1. Can she afford the care?
2. How to pay accommodation?
3. What to do with home?
4. Estate planning issues?

What are single Ethel's fees?

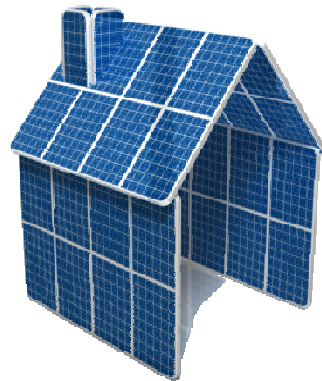


Does the house count?



To determine fees ...

- Yes (at capped value - \$165,271.20) unless spouse or “protected person” lives there
- Rent is assessable income



Impact on age pension ...

- Exempt up to 2 years or while spouse lives there
- At end of this time, full value is assessable
- Rent is assessable income

Rules may vary if entered care before 1 Jan 2017

Options with the home

Single Ethel



Consider options to use the home to generate capital or income to help with costs and maximise estate value

	Sell home – pay accommodation as full lump sum	Rent home \$24k net – pay only \$200k as lump sum and rest as daily fee
Age pension	\$18,093	\$12,593
Fees	\$33,461 [^]	\$39,420 [*]
Income ^{**}	\$33,575	\$39,075

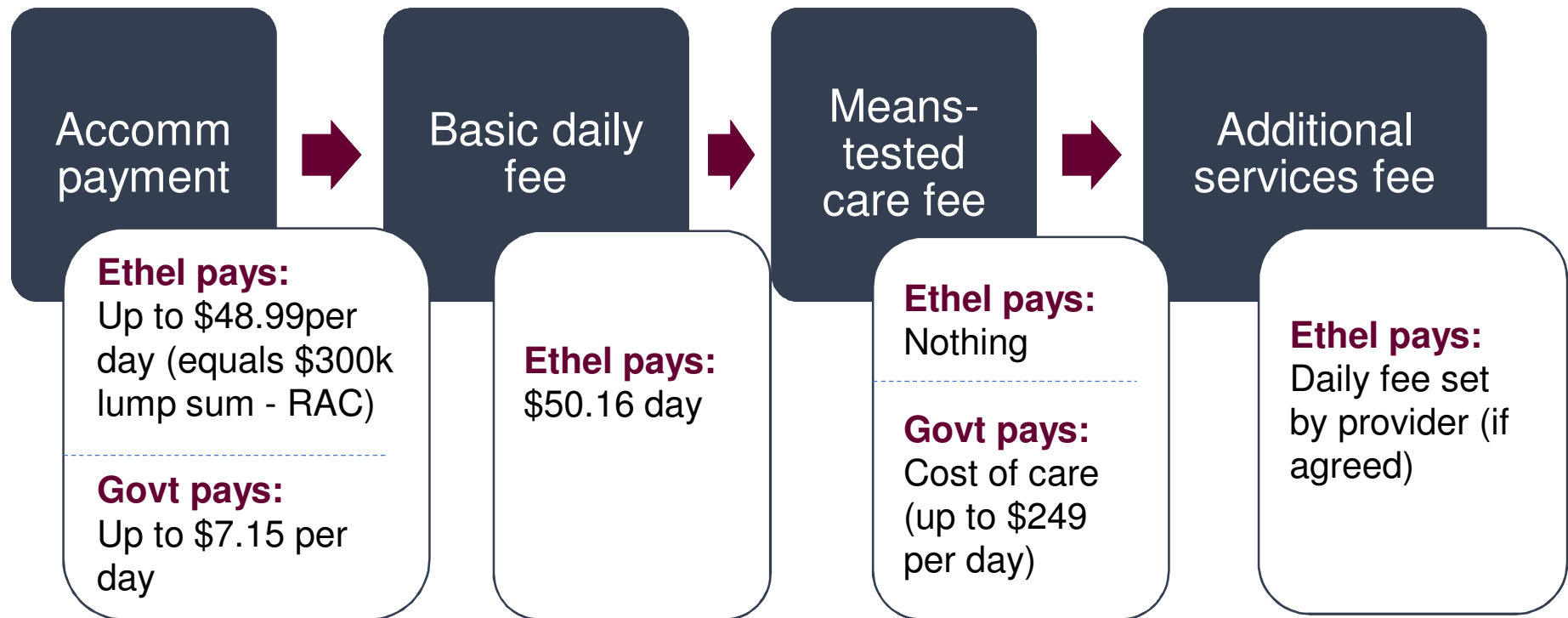
[^] Basic daily fee plus \$41.52 per day means-tested fee. Does not include personal expenses or additional services fees.

^{*} Basic daily fee plus \$25.18 per day means-tested fee plus \$32.66 per day for accommodation. Does not include personal expenses or additional services fees

^{**} Assume interest at deeming rates

Note: also need to compare net asset values and assumption of growth on home

What are married Ethel's fees?



Assumes husband stays in home

Options with the home

Married Ethel



- Husband staying in home – so can't sell or rent
- Options could consider:
 - Pay part lump sum (RAC) and then take daily fee from the RAC paid
 - Access equity in home – reverse mortgage or government's pension loans scheme
 - Downsizing for husband (which could allow a super contribution)

Having documentation in place

What can happen without EPoA

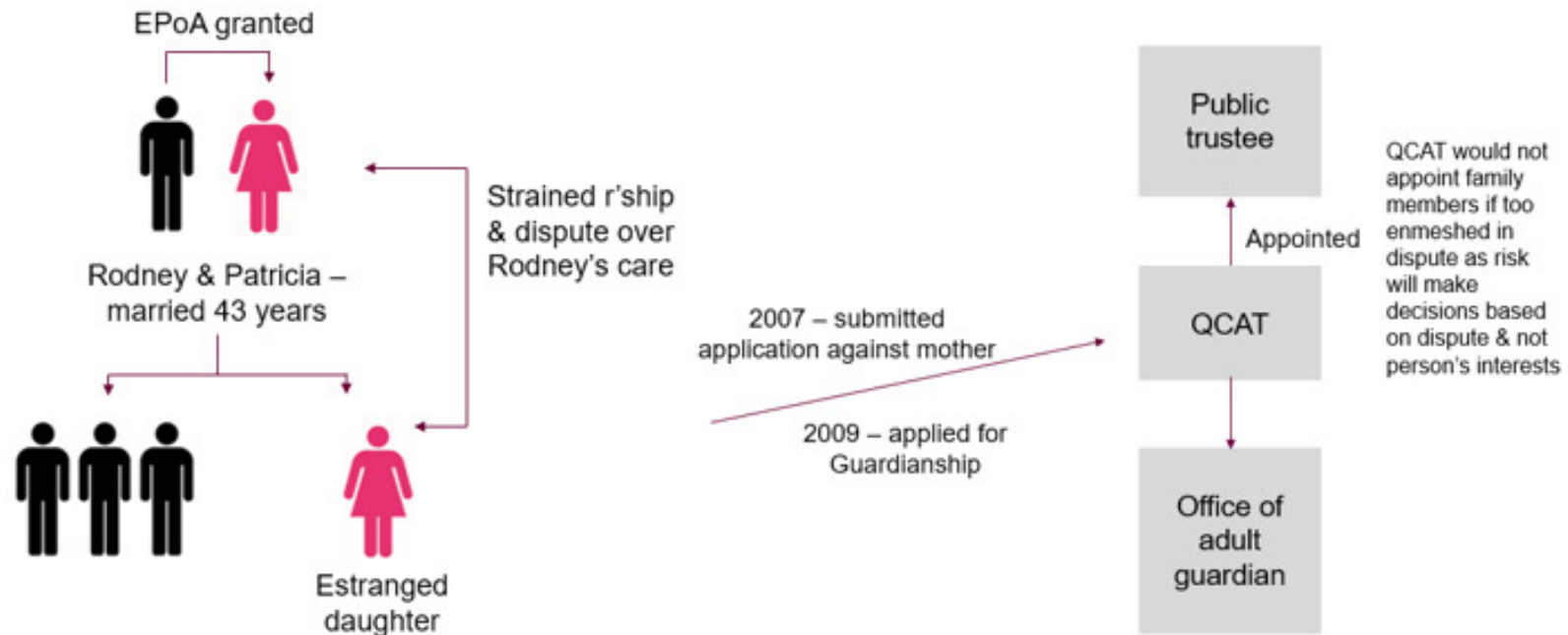


- Husband & wife jointly own home
- He moved into care (lost capacity), she wanted to sell and move into independent living
- No EPoA so applied for financial management orders

Issues:

1. His share of sale proceeds to be invested in his name
2. Split other bank accounts and investments
3. Her share not have enough to buy unit
4. He now has investments that reduce their age pension and increase his fees
5. Annual reporting to Tribunal and ongoing scrutiny

Consider your family dynamics



Maher v Adult Guardian v Aor [2011] QCA 225

Your checklist

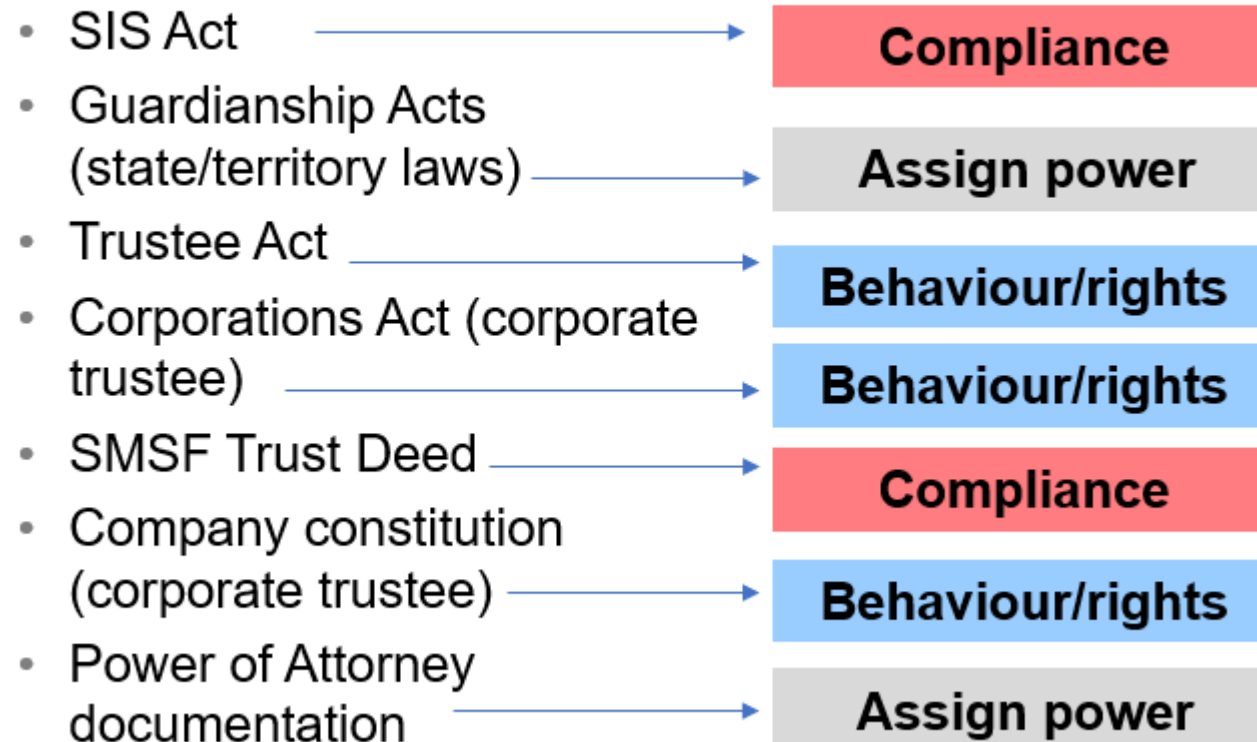


- Prepare for incapacity & death
- What you would like to happen – who do you trust
- Your family dynamics
- Who to nominate and relationship with other family members, time, skills etc
- Which powers - separation or joint
- Setting expectations
- The right documentation

The challenges with an SMSF



- Need to consider compliance:



Questions??

