

# UNDERSTANDING

## AGED CARE IN AUSTRALIA



Wealth Adviser



## Before you get started

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Information in this handbook is no substitute for professional financial advice.

We encourage you to seek professional financial advice before making any investment or financial decisions. We would obviously love the opportunity to have that conversation with you, and at the rear of this handbook you will find information about our authorised representative and how to go about booking an appointment.

If ultimately you decide not to meet with us we still encourage you to consult with another suitably licensed and qualified financial adviser.

In any circumstance, before investing in any financial product you should obtain and read a Product Disclosure Statement and consider whether it is appropriate for your objectives, situation and needs.

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# Letter from the Wealth Adviser Library

Dear **Reader**

## Welcome to the Wealth Adviser Library

This library was built specifically to facilitate the provision of sound financial information to everyday Australians.

Our mission is to build an accessible, comprehensively supported team of members who share our vision and commitment to providing tailored financial advice and a new foundation of financial understanding and security for everyone.

With a national network of likeminded experts, we have the potential to provide the financial building blocks for future generations.

## Knowledge gives you a huge advantage

We believe that knowledge gives you a huge advantage in creating and effectively managing wealth; in planning to reach your goals; and in being prepared for whatever unexpected twists and turns life may present.

That's why our team of experts has created this series of digital handbooks and manuals that seek to inform you of not only the benefits but also the potential risks and pitfalls of various strategies and investments.

We trust you enjoy this publication and find it informative and professionally presented. Of course, your feedback is always welcome as we strive to continually offer content in a format that is relevant to you.

## Take the next step

Wealth Adviser (a division of WT Financial Group Limited) supports more than 400 privately owned and operated advice practices around the country. We invite you to engage with one of our advisers to discuss what it was you were hoping to achieve when you obtained this handbook, and to establish if they can help you achieve your goals and objectives.

At the rear of this handbook you will find details on how to book an appointment.

[Wealth Adviser Library](#)



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## Introduction

If you're considering Aged Care for yourself or one of your loved ones, it's important to understand the basics of how Aged Care works in Australia before you make any decisions.

Read on to find out about:

- the demand for Aged Care in Australia.
- your Aged Care options (residential and in-home care).
- deposit (upfront) costs of moving into residential Aged Care.
- daily living costs in residential Aged Care.
- how you can manage your cash flow to deal with ongoing Aged Care costs.
- FAQs about Aged Care in Australia.



# The demand for Aged Care in Australia

More and more Australians are requiring Aged Care. Thanks to advances in medical technology, most of us are living longer than ever before. Australia has an ageing population. Consider these statistics:

- according to the Australian Institute of Health and Welfare (AIHW), the average life expectancy for Australians aged 65 is 87 years for

females and 84 for males.<sup>1</sup> This is a significant increase over previous generations when the life expectancy rates for both genders was much lower.

- according to the Australian Bureau of Statistics (ABS), 15 percent of the Australian population is currently aged over 65 and by 2037, that figure will be 20%.<sup>2</sup> That's 6.5 million Australians!

## Your Aged Care options

There are two basic options for long-term Aged Care in Australia:

- residential Aged Care.
- in-home care via either the Commonwealth

Home Support Programme or a Home Care Package.

We'll now look at each of these options in turn.

## Residential Aged Care

Residential Aged Care involves moving into a designated Aged Care facility. There are three steps involved.

**Step 1:** You must be approved via a health assessment from a medical practitioner who is a member of an Aged Care assessment team (ACAT).<sup>3</sup> ACAT is known as ACAS in Victoria (Aged Care Assessment Service).

**Step 2:** Once approved, you must find suitable accommodation with a registered Aged Care accommodation provider.

You can find registered providers online.<sup>4</sup> Once you have found a suitable provider, they must provide you with an accommodation agreement. It should include the following information:

- details of the specific accommodation to be provided.
- the agreed accommodation price.
- information on the three available accommo-

modation payment options (outlined later in this eBook).

- details of any additional ongoing services, fees, or charges.
- the refundable amount (if any) if you (or your loved one) dies or leaves the facility.
- any other important accommodation terms or conditions.

It's important to read this agreement thoroughly and to get your finances in order (see Step 3) before you sign it.

**Step 3:** Organising your finances to pay for your accommodation and any care needs that you may have.

Depending on your individual circumstances, you may have to pay an upfront cost to move into residential Aged Care, as well as ongoing costs. We will talk more about residential Aged Care costs and organising your finances later in this eBook.

1. <https://www.aihw.gov.au/reports/life-expectancy-death/deaths-in-australia/contents/life-expectancy>

2. <https://www.abc.net.au/news/2019-03-20/aged-care-under-financial-pressure-even-before-royal-commission/10919748#>

3. <https://www.myagedcare.gov.au/assessment/prepare-your-assessment>

4. <https://www.myagedcare.gov.au/find-a-provider/>



The latest figures from the AIHW reveal that approximately 7% of Australians aged over 65 live in residential Aged Care, with more than 59% of these people being aged over 85.<sup>5</sup>

Residential Aged Care in Australia is partially funded by the federal government (currently

approximately 70%), and partially funded by Aged Care residents (approximately 30 percent).<sup>6</sup> Approximately 40% of residential Aged Care providers are 'for profit' organisations.<sup>7</sup>

## In-home care

The latest figures from the AIHW reveal that 22% of Australians aged over 65 access some form of in-home care.<sup>8</sup> Broadly speaking, there are two different types of in-home care:

- the Commonwealth Home Support Programme.<sup>9</sup>
- Home Care Packages.<sup>10</sup>

We'll now look at each of these options in turn.

### The Commonwealth Home Support Programme

This Programme provides entry-level in-home Aged Care support, including:

- pre-made meals and/or help with food preparation.
- personal care (e.g. help with showering, dressing, and grooming).
- access to allied health and therapy services (such as occupational therapy).
- help with basic chores around the home.
- basic home modifications to improve its safety and access (e.g. installing ramps and/or rails).
- the provision of items that specifically help the aged (e.g. walking frames and shower chairs).
- community transport to attend appointments, activities, or social outings.

There is a three-step process to access the Commonwealth Home Support Programme.

**Step 1:** You must have a health assessment via a member of ACAT (or ACAS if you live in Victoria) to determine your eligibility for the Programme.

**Step 2:** You must find suitable and registered aged in-home care providers. You can find registered providers online.<sup>11</sup>

**Step 3:** Organise your finances to ensure you can pay for your in-home care. The cost of in-home care varies depending on the type and extent of services that you receive. Costs under the Commonwealth Home Support Programme can range from a few dollars for basic services to much more for more comprehensive services. Registered in-home care providers can keep the costs that they charge users down though because they are subsidised by the government.

### Home Care Packages

If you have more complex in-home care needs than can be provided for under the Commonwealth Home Support Programme, there are four levels of Home Care Packages available to eligible applicants.

- Level 1 provides basic care up to the value of \$9,000 per year.
- Level 2 provides low care up to the value of \$15,750 per year.
- Level 3 provides intermediate care up to the value of \$34,250 per year.
- Level 4 provides high care up to the value of \$52,000 per year.<sup>12</sup>

There is a 3-step process for accessing any Home Care Package.

**Step 1:** You must have a health assessment via a member of ACAT (or ACAS if you live in Victoria) to determine your eligibility for accessing a particular Home Care Package level.

5. <https://www.aihw.gov.au/reports/australias-welfare/aged-care>

6. <https://www.abc.net.au/news/2019-03-20/aged-care-under-financial-pressure-even-before-royal-commission/10919748#>

7. <https://www.aihw.gov.au/reports/australias-welfare/aged-care>

8. <https://www.aihw.gov.au/reports/australias-welfare/aged-care>

9. <https://www.myagedcare.gov.au/help-at-home/commonwealth-home-support-programme>

10. <https://www.myagedcare.gov.au/help-at-home/home-care-packages>

11. <https://www.myagedcare.gov.au/find-a-provider/>

12. <https://www.myagedcare.gov.au/help-at-home/home-care-packages>

13. <https://www.myagedcare.gov.au/find-a-provider/>

14. <https://www.myagedcare.gov.au/help-at-home/home-care-packages>



**Step 2:** You must find a suitable and registered Home Care Package provider. You can find registered providers online.<sup>13</sup> The provider consults with you to determine how to best spend your Package funding. The provider then co-ordinates and manages the provision of these services on your behalf.

**Step 3:** Organise your finances to ensure you can pay for your Home Care Package. You may be charged 3 types of fees by your Home Care Package provider:

- 1) a basic daily fee (currently \$10.75).<sup>14</sup>
- 2) an income-tested care fee (currently \$30.86 per day). Whether you have to pay this

fee or not depends on the amount of taxable income you earn. Services Australia will make this determination as part of your Home Care Package application process.

3) additional fees for any extra care or services you need or want that aren't covered by your Home Care Package.

It's important to understand that there is a wait time for Home Care Packages. Current wait times for the different Package Levels are as follows:

- Level 1–3 to 6 months.
- Levels 2, 3 and 4 –12 months.<sup>15</sup>

So, it's important to apply for one well in advance.

## Deposit (upfront) costs of moving into residential Aged Care

There are upfront costs of moving into a residential Aged Care facility, unless you have assets and annual income below specified thresholds. The asset threshold is currently \$50,500. The current annual income threshold is \$27,840. If both your asset and your income levels are within these thresholds, the federal government will pay for all of the costs of your residential Aged Care accommodation.<sup>16</sup>

However, it's important to understand that you'll be unlikely to get a new room in a nice new facility if you're in that situation. It's also important to understand that if a family member gives you money to help you pay for your upfront Aged Care accommodation costs, the amount will be counted in your assets for any Aged Care means tests for federal government assistance.

If your assets or annual income exceed the minimum federal government thresholds, you have three options for covering the upfront cost of residential Aged Care:

- 1) making a lump sum payment (called a refundable accommodation deposit).
- 2) borrowing your entire accommodation deposit from your residential care provider and agreeing to make a daily accommodation payment.
- 3) making a partial lump sum payment and financing the balance of your deposit by agreeing to make a daily accommodation payment.

Registered residential Aged Care services must publish their maximum accommodation costs on the federal government's Aged Care website ([www.myagedcare.gov.au](http://www.myagedcare.gov.au)).

<sup>15</sup> <https://www.myagedcare.gov.au/help-at-home/home-care-packages>

<sup>16</sup> <https://www.myagedcare.gov.au/aged-care-home-costs-and-fees>





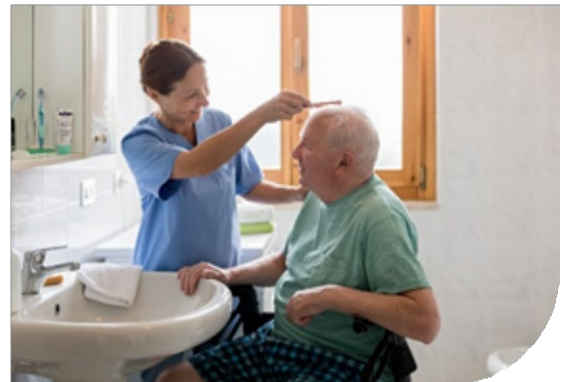
## Refundable accommodation deposit (RAD) in residential Aged Care

This is a lump sum that gets partially refunded (i.e. less fees and moving out costs) when you leave the facility. The amount of the RAD and the refund policy varies depending on the type of accommodation and the Aged Care provider you choose. The maximum that you can currently be charged for an RAD is \$550,000.<sup>17</sup>

If you have assets or annual income that exceed federal government thresholds, you will need to pay for the full cost of your Aged Care accommodation (including the upfront RAD). If necessary, you may need to sell or use some (or all) of your assets to pay for your RAD. It's best to seek professional financial advice before you do this. The current asset threshold is \$171,535.20 the annual income threshold is \$70,320.<sup>18</sup>

If you currently have assets valued between \$50,500 and \$171,535.20, or you have annual

income between \$27,840 and \$70,320, you will need to pay for part of the upfront cost of your accommodation.<sup>19</sup> Again, you may need to sell or use some (or all) of your assets to pay for your RAD but it's best to seek professional financial advice before you do that.



## Daily accommodation payment (DAP) in residential Aged Care

The DAP includes an interest charge on the accommodation deposit that you are borrowing instead of paying upfront. This interest rate is set by the federal government and is currently 4.1%.<sup>20</sup> The DAP is calculated as follows:

accommodation deposit x the interest rate / 365

For example, if your accommodation deposit is \$400,000, your DAP at current interest rates would be:

$$\$400,000 \times 4.1\% / 365 = \$44.93$$

17. <https://www.health.gov.au/sites/default/files/documents/2020/09/schedule-of-fees-and-charges-for-residential-and-home-care-schedule-from-20-september-2020.pdf>

18. <https://www.myagedcare.gov.au/aged-care-home-costs-and-fees>

19. <https://www.myagedcare.gov.au/aged-care-home-costs-and-fees>

20. <https://www.health.gov.au/sites/default/files/documents/2020/09/schedule-of-fees-and-charges-for-residential-and-home-care-schedule-from-20-september-2020.pdf>



# Daily living costs in residential Aged Care

In addition to the RAD or DAP costs of moving into residential Aged Care, there are also daily living costs that you need to cover. There are three costs that can apply:

- the basic daily fee.
- a means-tested care fee (if required).
- additional or extra service fees.

We'll now look at each of these options in turn.

## Basic daily fee

Every person living in a residential Aged Care facility must pay this fee which is set by the government at 85% of the single pension rate. The basic daily fee is currently \$52.25 per day.<sup>21</sup> It's important to understand that this fee applies even if you are away from the facility for any length of time (e.g. if you need to stay in a hospital for treatment).

## Means-tested care fee

The care fee includes any costs associated with any personal or clinical care that you may require. For example:

- help with dressing, grooming, bathing and/or going to the toilet.
- specialised nursing services, assistance with your medication and/or catheter care.

The care fee is means-tested. This means that you will pay more the more assets and/or income you have (and vice versa). Services Australia makes the assessment of the care fee (if any) that you may need to pay.<sup>22</sup>

The current care fee is up to a maximum of \$256.44 per day. However, there are both annual and lifetime caps on the amount you can be charged for means-tested care fees. The current caps are as follows:<sup>23</sup>

- \$28,087.41 annual cap.
- \$67,409.85 lifetime cap.

## Additional or extra service fees

Many residential Aged Care providers offer additional or extra services that incur extra fees. Some of these services will be optional extras while others will be provided as a condition of living in the facility. Examples of

these types of services include:

- subscription TV services.
- arranging a hairdresser.
- specialised menus.

It's important to understand that the government won't subsidise the cost of any extra services. You must be able to fund them yourself.



21. <https://www.myagedcare.gov.au/aged-care-home-costs-and-fees>

22. <https://www.servicesaustralia.gov.au/individuals/forms/sa486>

23. <https://www.myagedcare.gov.au/aged-care-home-costs-and-fees>



# How to manage your cash flow

If you need to access residential Aged Care or in-home Aged Care services, it's important to be able to cover all your costs, whether that be via your own finances or with government assistance. There are many strategies that you can use to help with your upfront costs and ongoing cash flow. For example:

- selling your family home to move into residential Aged Care.
- releasing the equity, you have in your home.

It's worthwhile to seek professional advice before you make any decision. The most appropriate strategy (or strategies) will depend on your individual financial situation and Aged Care needs. A good financial adviser will take

the time to understand your circumstances and requirements.

Making the right decisions about your assets and income can provide you with the ongoing cash flow to pay for all your Aged Care costs via:

- maximising your government Aged Care assistance entitlements.
- maximising your age pension entitlements if you're eligible.
- minimising your ongoing care costs.
- minimising any tax obligations you may have.

You should also review your will as part of planning your Aged Care cash flow.

## Aged Care FAQs

**What upfront costs will I need to pay to move into residential Aged Care?**

This depends on the amount of assets that you have and/or the ongoing income that you generate. You may have to pay for the entire upfront cost of your accommodation, only part of it, or nothing at all, depending on your individual financial circumstances.

**How much will I have to pay for ongoing care in a residential Aged Care facility?**

The minimum that you will have to pay is the basic daily fee (which is currently \$52.25 per day). Whether you have to pay more than this amount depends on whether you have to pay any of the following:

- a daily accommodation payment (in lieu of not having made an upfront refundable accommodation deposit).
- a means-tested care fee (for additional personal or clinical care).
- additional or extra service fees (that may be either optional or compulsory, depending on your residential Aged Care provider).

**How will I be able to afford to pay for ongoing residential Aged Care?**

It's crucial to manage your cash flow effectively so you can meet all your ongoing Aged Care costs. A good, licensed financial adviser should be able to help you do this via your own funds, government financial assistance, or a combination of both.

**Should I keep my family home for my beneficiaries or sell it to move into residential Aged Care?**

This depends on your individual financial situation.

If you choose to keep your home:

- it will be included in your assets as part of any asset test for government financial assistance (unless it remains occupied by your spouse, dependent child or a close relative who is on a government income support payment).
- you can potentially rent it out to generate income. However, it's important to understand that:

24. <https://www.ato.gov.au/Individuals/Income-and-deductions/Offsets-and-rebates/Seniors-and-pensioners-tax-offset/>

- this income will be taxable (although the tax payable can be reduced by eligible property tax deductions and tax offsets like the seniors and pensioners tax offset (SAPTO)).<sup>24</sup>
- this income will be included in your income as part of any income test for government financial assistance.
- you may need to spend money on it to make it marketable as a rental property.
- you will need to factor in the potential cost of ongoing repairs and maintenance, as well as land tax if it's applicable in your State or Territory.
- there will also be capital gains tax (CGT) consequences if you rent the property out for longer than six years.

If you choose to sell your home:

- you will not typically pay CGT if it was always your principle place of residence.<sup>25</sup>

**Will I still have assets left over to leave to my family after I pay all my residential Aged Care costs?**

This depends on your individual financial circumstances and your Aged Care needs. It's important to plan your estate and your cash flow by seeking professional financial advice.

**Will I still have to pay tax if I'm in residential Aged Care?**

This depends on how much taxable income you are earning, if any. If you are earning lower than

the tax-free threshold (currently \$18,200), you will pay no tax.<sup>26</sup> If you do earn more than this amount, there are various tax offsets that you may be eligible for (including SAPTO).<sup>27</sup> Tax offsets reduce the amount of tax you need to pay.

**How much will I have to pay for the Commonwealth Home Support Programme?**

The cost of government-subsidised in-home care provided under this programme varies depending on the type and extent of services that you receive.

**How much will I have to pay a Home Care Package?**

You may be charged a basic daily fee (currently \$10.75), an income-tested care fee (currently up to \$30.86 per day) and any additional fees for services you need or want that aren't included in your Home Care Package.

**How can I ensure I'm eligible for the age pension and maximise the amount I get?**

You should seek professional advice to see if you can structure your income and/or assets so that they fall within both the age pension income test and the age pension asset test thresholds.<sup>28</sup>



25. <https://www.ato.gov.au/general/capital-gains-tax/your-home-and-other-real-estate/your-main-residence/>

26. <https://www.ato.gov.au/rates/individual-income-tax-rates/>

27. <https://www.ato.gov.au/Individuals/Income-and-deductions/Offsets-and-rebates/Seniors-and-pensioners-tax-offset/>

28. <https://www.servicesaustralia.gov.au/individuals/topics/income-test-pensions/30406>





## The bottom line

Aged Care is something most of us will have to consider for ourselves and/or our loved ones at some stage. The sooner you start thinking about it, the easier it will be to put a financial plan in place to ensure you or your loved ones have the best possible Aged Care.

Everyone's Aged Care needs and financial circumstances are different. It's important to speak with a professional financial adviser to work out the best financial plan based on your individual financial situation and Aged Care needs.

### **Take the next step**

We trust you enjoyed this publication and found it informative and professionally presented. Of course, your feedback is always welcome as we strive to continually offer content in a format that is relevant to you.

We now invite you to take the next step and meet with an adviser to discuss what it was you were hoping to achieve when you downloaded this handbook and to establish if we can help you achieve your goals and objectives.

Next you will find details on how to book an appointment with an adviser.

We look forward to meeting you soon.



# Appointment booking request form

## About the Adviser

Please complete the Appointment Booking Request below and scan and email to:

Appointments are available Monday-to-Friday.

Please nominate your preferred day, date and time to meet with us. One of our client services representatives will call you to confirm your appointment.

## Our services

### Preferred appointment day and time

Day \_\_\_\_\_

Date \_\_\_\_\_

Time \_\_\_\_\_ am/pm

## Contact details

If you would like us to contact you via email to confirm your appointment or to answer any questions you have, please provide a valid email address for our records.

Email \_\_\_\_\_

### Your Details

Title \_\_\_\_\_

First name \_\_\_\_\_

Last name \_\_\_\_\_

Mobile \_\_\_\_\_



# Readers Notes



# Readers Notes