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R E A D Y

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FINANCIAL PLANNING
ASSOCIATION *of* AUSTRALIA

THE PROVISION OF CARE: IT'S NOT JUST ABOUT THE AGED

DANIELLE ROBERTSON & ALAN THOMAS
DRC Care Solutions & Aspire2 Wealth Advisers (WA)



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EXPLORING THE DIFFERENT TYPES OF CARE

- Background of Danielle Robertson – who am I?
- Financial Planners fears in relation to working with clients Aged Care
- How DRC Care solutions assists planners, advisers & consumers
- Types of care available – not one size fits all.
- Aged Care – when does it kick in?
- Disability Care – how does it fit in with the Aged Care system?
- How to approach aged care conversations with your clients
- Planning ahead and building rapport with your client.
- You are their trusted advisor
- Finances and what's needed for the different Aged Care options



“**Aged care** is the term for daily living and nursing **care** services provided to older Australians who either need some help at home or can no longer live independently. Services are generally divided into two categories: Home **care** services. Residential **care** services.. ”

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FAMILY HOME - TREATMENT FOR CENTRELINK

Asset Test

An aged care resident's former home is exempt from the Centrelink/DVA **Asset test for two years** after they vacate and move into residential care (unless the home is occupied by a protected person e.g. spouse).

If the family home is **NOT** occupied by their spouse, the two year period can **extend indefinitely** depending on how the resident has opted to pay their accommodation/entry costs:

- 1) Paid accommodation cost by Periodic payments
- 2) Paid accommodation cost in full.



HOW IS THE FAMILY HOME TREATED (*CENTRELINK*)?

Current legislation:

1. Residents who have opted to pay at least part of their accommodation cost in the form of either a Daily Accommodation Payment (DAP) or a Daily Accommodation Contribution (DAC) and rent out their former home have the value of the former home exempt indefinitely from the *Asset Test* and remain homeowners, **if occupied by a protected person**.

The rental income received is also exempt from the *Income test* for Centrelink purposes.



HOW IS THE FAMILY HOME TREATED (*CENTRELINK*)?

Current legislation:

2. Residents who pay their full accommodation cost in the form of either a Refundable Accommodation Deposit (RAD) or a Refundable Accommodation Contribution (RAC) become non-homeowners and have their former home *assessed as an asset* after two years.

Any rental income in this situation is assessed under the income test immediately.



HOW IS THE FAMILY HOME TREATED (*CENTRELINK*)?

- **PROPOSED CHANGES:**

Residents entering residential care on or after the commencement date will have their former main residence assessed by Centrelink/DVA as an asset after the two year period has elapsed, unless the aged care resident's partner still lives in the family home.

This will be regardless of how they fund their accommodation costs.

Any **net rental income** from the former main residence will be assessed immediately.



ASSESSMENT FAMILY HOME (AGED CARE)

- **Asset tested fee:**
- Same as Centrelink when a protected person is living in the home;
- Otherwise, a Principal Residence cap of \$159,631 is assessed under means tested fee;
- **Income tested fee:**
- (i) If entered aged care before 1 January 2017**
- Rental income is exempt from Income Tested Fee if client is paying some accommodation cost as periodic payments
- (i) If entered aged care after 1 January 2017**
- Rental income is assessed.



LEVELS OF ASSETS: LOW, MEDIUM OR HIGH

- Residents are assessed as Low, Moderate or High Means
- **Low Means:** if assets are below \$46,500
- **Moderate/ High Means:** based on income and assets based tests
- If the Means-Tested Fee is less than \$54.39 per day then resident pays a DAC or RAC;
- If the Means-Tested Fee is more than \$54.39 per day then pay a RAD, which is set via Facility.



AGED CARE

- DAC = Daily Accommodation Contribution
- RAC = Refundable Accommodation Contribution
- RAD = Refundable Accommodation Deposit
- DAP = Daily Accommodation Payment; Current Rate 5.76%



HOW TO CHOOSE AND ACCESS CARE

- ACAT (Government Funded) vs Private Care needs assessment
- What's the difference?
- ACAT – how quickly can an assessment be carried out
- How to choose appropriate care for an individual?
- Who gets involved in the decision making process?
- Plant the seed early – have the discussions, start planning
- Prepare finances early
- Discuss wants and wishes and the costs involved



CASE STUDY

- **John and Flora own their own home (\$1.2 million)**
- **They have \$300k in super + an investment property around \$650k**
- **Flora – mild dementia, John is her primary carer**
- **Life event occurs for John. Daughters care for mum and notice significant changes in mother's health**
- **Call in DRC Care Solutions to discuss:**
 - a) **care for Flora at home** b) **respite for Flora**
- **Financial adviser involved to calculate cash flow & costings**
- **ACAT assessment organised, cash flow assessed (super, rent)**
- **DRC Care Solutions introduce three care providers – match made**
- **Great outcome for the client, family happy, adviser happy**



IN HOME CARE VS RESIDENTIAL CARE

- **Staying at Home – Assumptions:**
- John - Convert \$300,000 in super to an account based pension, invested in 50% growth profile (rate of return 5.83% pa)
- Joint lifestyle expenses of \$40,000 pa;
- Draw \$89,129 pa to cover lifestyle expenses;
- John's Account Based Pension is estimated to run out in *2020*;
- Sell investment property when pension runs out
- Estimated value \$689,785 – indexed at 2% pa.
- Assuming cost base of \$400,000, the estimated Capital Gains Tax is ~\$21,194 per person.



STAYING AT HOME

Asset	Value	Income
Account Based Pension	\$300,000	\$89,129
Investment Property	\$650,000	\$19,500
Age Pension	-	Nil
Total Income		\$108,629
Expenses		
Home Care Gov't Fees		\$3,629 (\$9.97 per day)
Additional Services		\$65,000
Joint Living Expenses		\$40,000
Total Expenses		\$108,629



RESIDENTIAL CARE – PAY DAP

- **Residential Care – Pay fees via DAP - Assumptions:**
- Assume advertised accommodation payment to be \$550,000
- John - Convert \$300,000 in super to an account based pension, invested in 50% growth profile (rate of return 5.83% pa);
- John's lifestyle expenses of \$30,000 pa;
- Draw \$61,932 pa from Account based pension to cover lifestyle expenses;
- John's Account Based Pension is estimated to run out in 2023;
- Sell investment property when pension runs out
- Estimated value \$732,006 – indexed at 2% pa.
- Assuming cost base of \$400,000, the estimated Capital Gains Tax is ~\$29,205 per person



RESIDENTIAL CARE – PAY DAP

- Pay Accommodation fees via DAP

Investment	Value	Amount
Account Based Pension	\$300,000	\$61,932
Investment Property	\$650,000	\$19,500
Age Pension (combined)	-	\$1,924
Total Income		\$83,356
Expenses		
Aged Care Fees - Flora		\$53,356 (DAP is \$31,680)
Living Costs - John		\$30,000
Total Expenses		\$83,356



RESIDENTIAL CARE – PAY RAD

- **Residential Care – Pay RAD - Assumptions:**
- Sell investment property (\$650,000) to fund Aged Care accommodation deposit
- Assume advertised accommodation payment to be \$550,000
- Assuming cost base of \$400,000, the estimated Capital Gains Tax is ~\$20,436 for John and \$16,470 for Flora due to **Net Medical Expense Tax Offset**
- John - Convert \$300,000 in super to an account based pension;
- John's lifestyle expenses of \$30,000 pa;
- Draw \$21,688 pa from Account based pension to cover lifestyle expenses;
- John's Account Based Pension is estimated to last for at least **15 years**;
- Residual balance from sale of property, net of tax \$78,170 to top up bank account.



IN HOME CARE VS RESIDENTIAL CARE

- Sell Investment Property and Pay RAD of \$550,000

Investment	Amount	Income/Expense
Account Based Pension	\$300,000	\$21,688
Savings Account	\$78,170	\$1,563
Age Pension		\$34,382
Total Income		\$57,633
Expenses		
Age Care Fees - Flora		\$22,047
Living Expenses – John		\$30,000
Total Expenses		\$52,047



IN HOME CARE VS RESIDENTIAL CARE

	Home Care	Pay DAP	Pay RAD
Longevity of Account Based Pension	4 years (2020)	6 years (2023)	> 15 years
Age Pension Eligibility	2019 (\$1,994)	2017 (\$1,924)	2017 (\$43,872)
Cost of Care	\$68,629	\$53,356	\$22,047
Estimated total assets in 5 years' time	\$1,860,568	\$2,119,781	\$2,295,244

- **Notes:**
- Selling the investment property may be the best option over the longer term but you may lose out on potential growth in the property market
- **Other options to consider:**
- Reverse Mortgage to cover cash flow under Home Care Scenario and paying DAP Scenario
- Note: Reverse Mortgage rates are high so may pose as an issue over the longer term

