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HOBART 22-24 NOV

The rise and rise of aged care

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Aged Care Steps

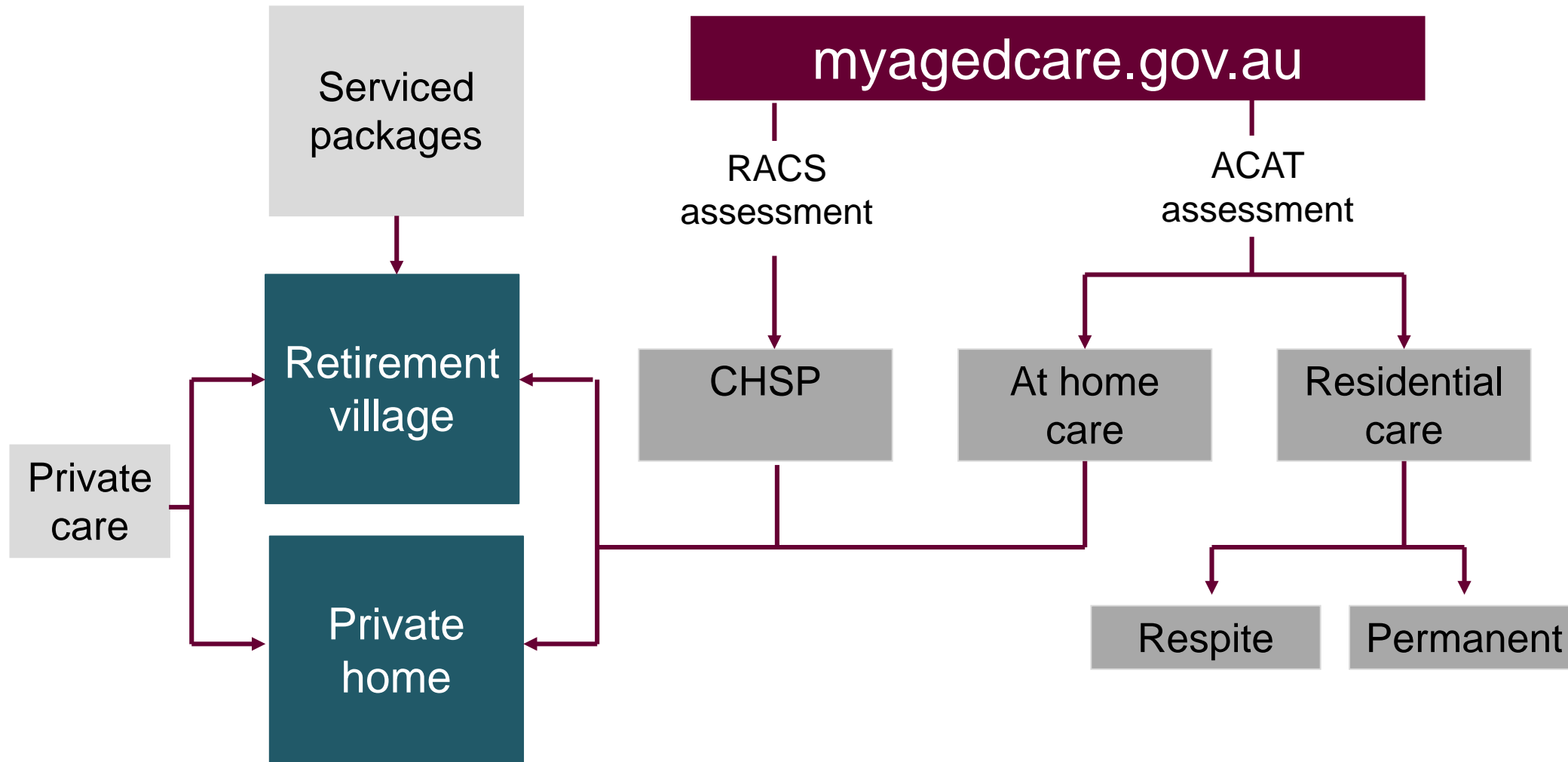


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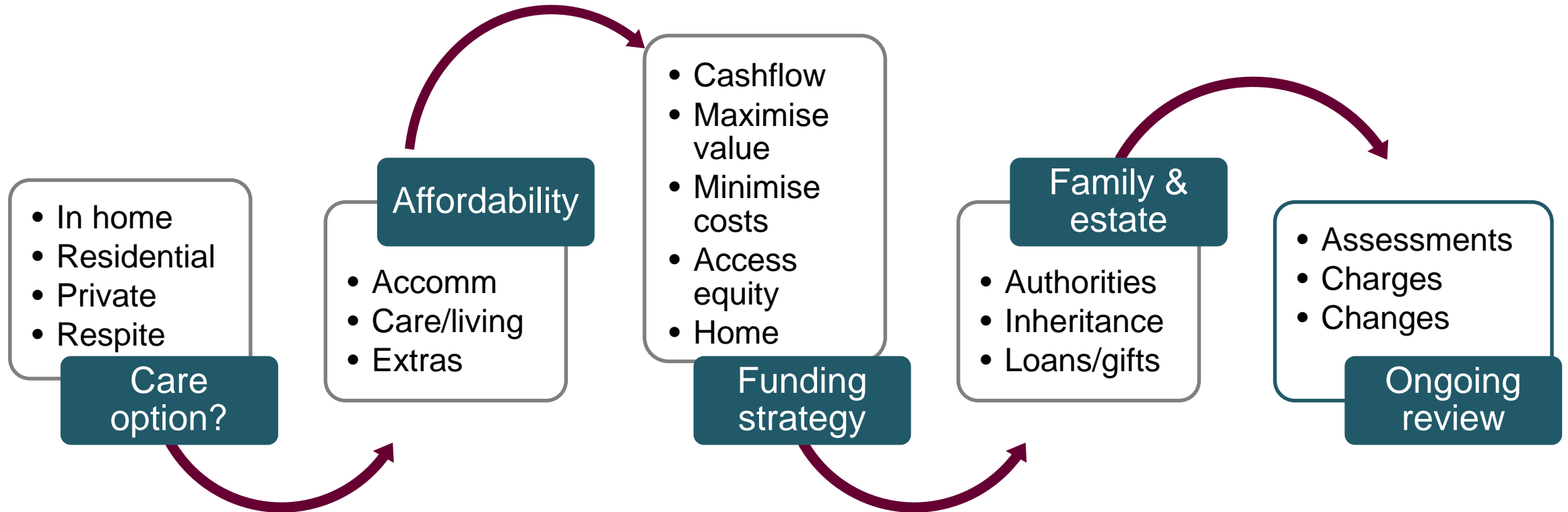
The aged care landscape



Aged care advice roadmap



- ▶ Client value is beyond the financial but be clear on your value proposition



A case study – Bill (age 82, widower)

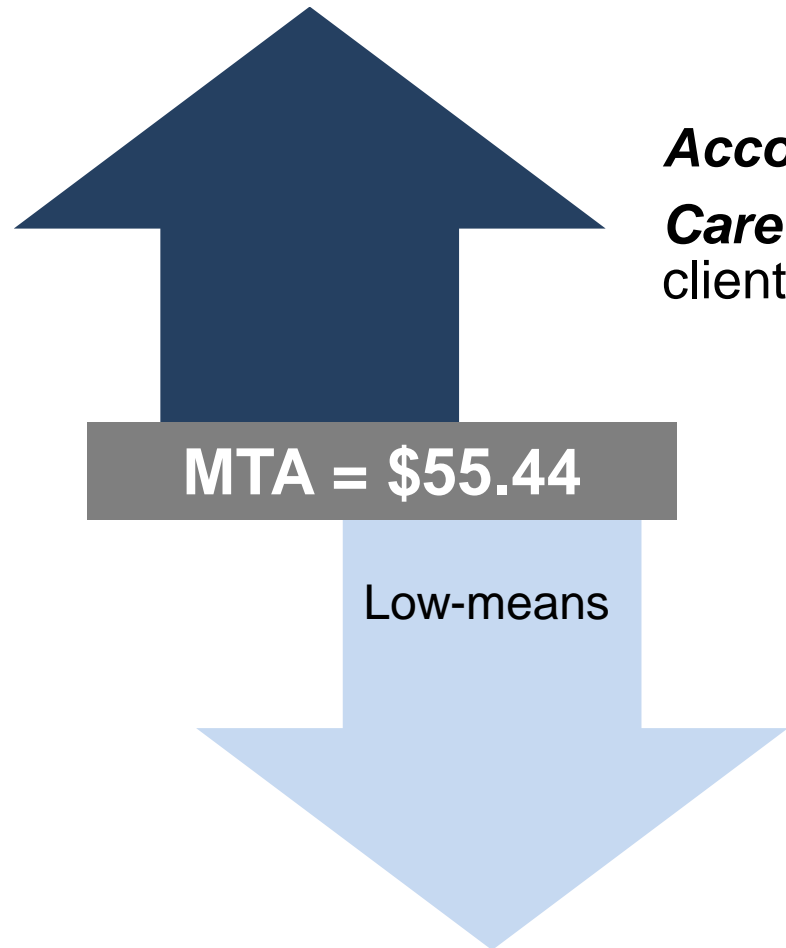


▶ His financial situation:

- Home \$700,000
- Contents \$5,000
- Bank account \$80,000
- Account-based pension \$220,000 (all taxable & \$14k deductible, 7% min)
- Age pension \$19,257 pa

- ▶ He moves into residential aged care with a published accommodation payment of \$500,000
- ▶ Is it affordable?

First step - know the client's MTA



Accommodation - client pays full cost

Care – costs shared between government (ACFI) & client (basic care fee + MTF)

Accommodation - government subsidises but client may pay a portion (RAC/DAC)

Care – client only pays basic care fee and government pays the rest

Bill's MTA calculation



Age pension \$19,257 pa



\$80,000
(deemed \$1,847 pa)

ABP

\$220,000 draws
\$15,400 but DA \$14,000



\$5,000



\$700,000
But capped **\$162,815.20**

Asset amount: (assets **\$467,815.20**)

- ▶ $\$47,500 \times 0\% = \0
- ▶ $(\$162,815.20 - \$47,500) \times 17.5\% = \$20,180.16$
- ▶ $(\$393,445.60 - \$162,815.20) \times 1.0\% = \$2,306.30$
- ▶ $(\$467,815.20 - \$393,445.60) \times 2.0\% = \$1,487.39$
- ▶ Total: \$23,973.85

Income amount:

- ▶ $\$1,847 + \$1,400 + (\$19,257 - \$1,294.80^*) = \$21,209.20$
- ▶ $(\$12,209.20 - \$26,327.60^{**}) \times 50\% = \nil

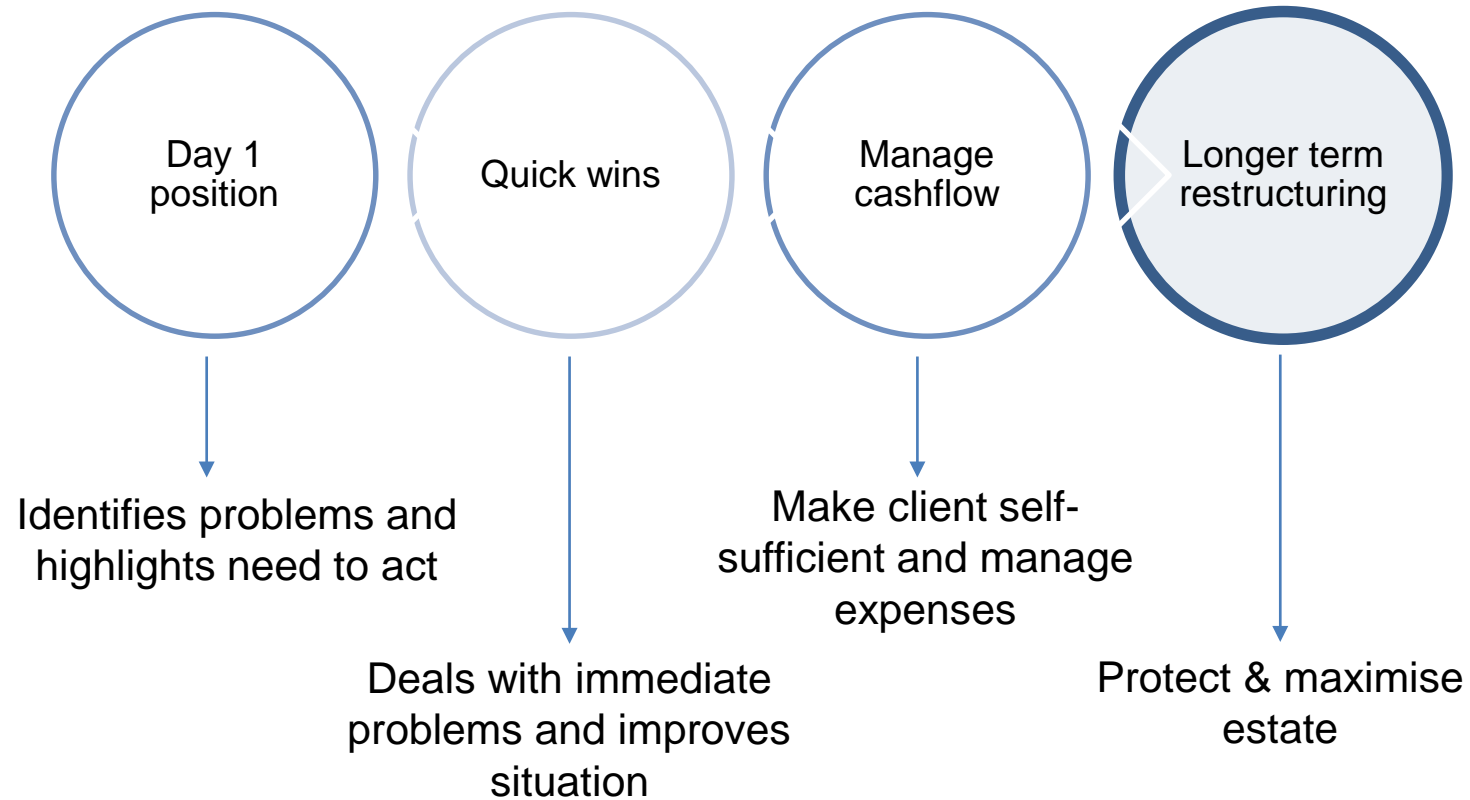
MTA & MTF:

- ▶ $\text{MTA} = (\$23,973.85 + \$\text{nil}) / 364 = \mathbf{\$65.86 \text{ day}}$
- ▶ $\text{MTF} = \$65.86 - \$55.44 = \$10.42$

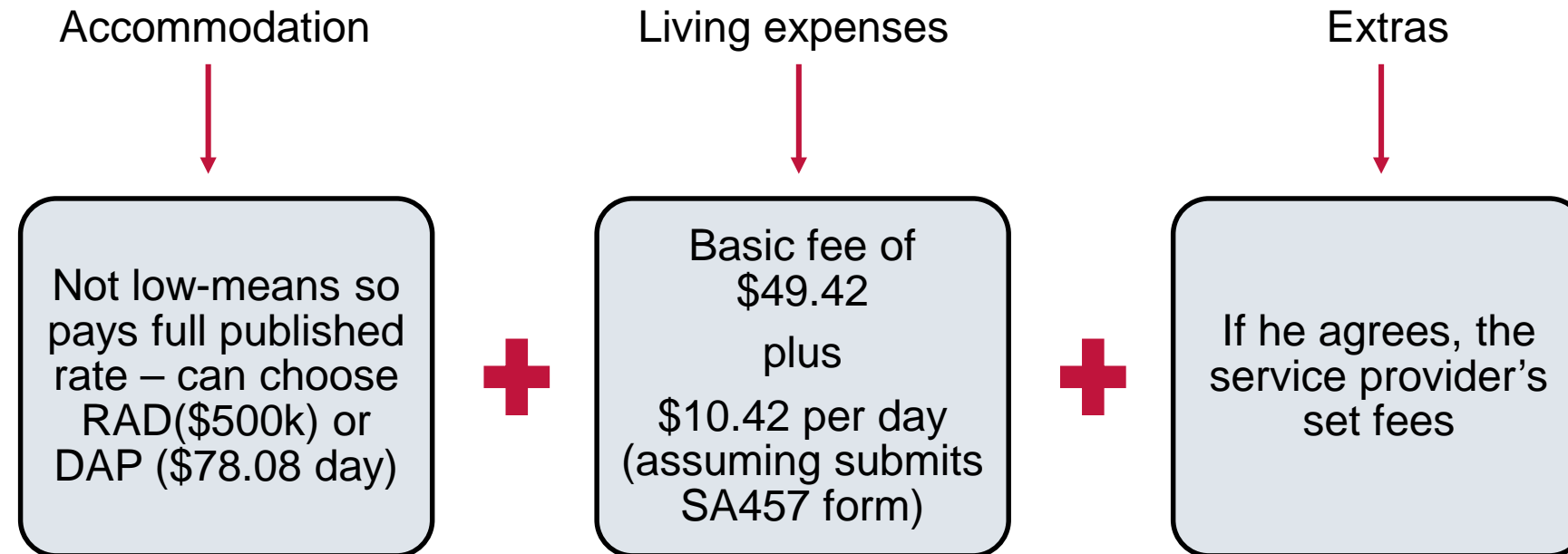
* Min pension and energy supplements (single)

** Income-free threshold for single person

The strategy steps



Day 1 position - what Bill pays ...



- ▶ Cashflow is first problem – if he pays full DAP, income is \$22,504 pa but fees are \$50,342 pa plus other expenses
- ▶ What are his quick wins to manage in short-term?

Impact of former home on ...



MTA (care fees)	Centrelink/DVA payments
<p>Asset – exempt if protected person lives there, otherwise up to capped value</p> <p>Income – net rent is assessable</p>	<p>Asset – exempt while spouse lives there. Otherwise exempt up to 2 years only (from last spouse leaving), then full market value.</p> <p>Income – net rent is assessable</p>
<p>Before 1 January 2016</p> <p>Asset – exempt if protected person lives there, otherwise up to capped value</p> <p>Income – net rent exempt while paying some DAP</p>	<p>Before 1 January 2017</p> <p>Asset – exempt while spouse lives there. Otherwise: exempt up to 2 years (from last spouse leaving) or while rented & paying some DAP</p> <p>Income – net rent exempt while paying some DAP</p>

Longer term funding - some options



Rent home: Net rent \$23,000 pa, pay \$220k RAD

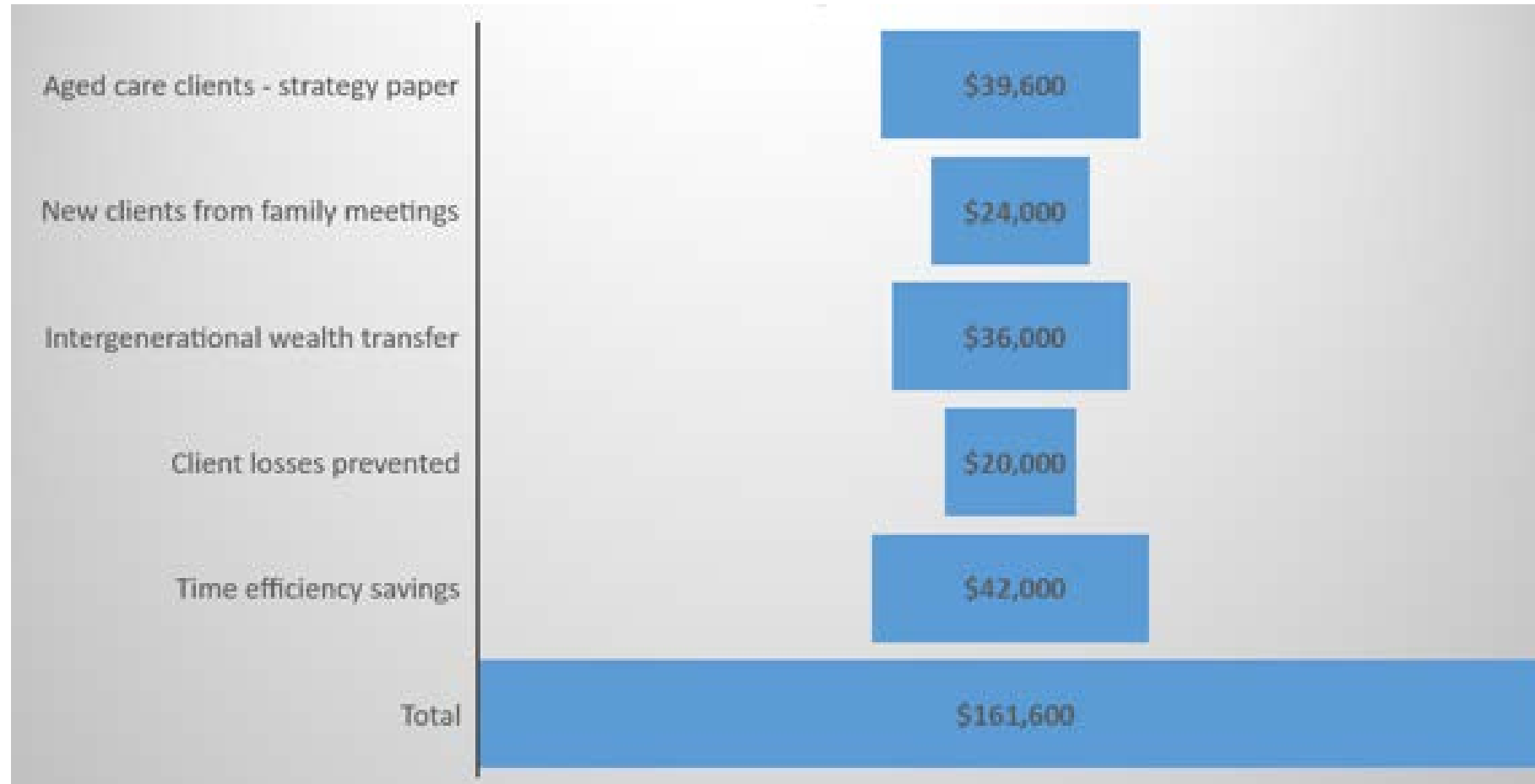
Sell home: pay \$500k RAD and \$500k bank

Deemed income		1,847
Income streams under deductible rules (assessable portion only)		0
Age or DVA Service pension / War widow / ISS / DFISA		13,015
DVA disability pension		0
Net rental income from the home		23,000
Net rental income from investment properties		0
Other income (including taxable income from trusts / private companies)		0
Total income		37,862
User tip: Enter additional / extra-service daily fees		
Daily fees	Per day	Per annum
Basic daily fee	49.42	18,038
Means-tested care fee	24.49	8,938
Extra-service / additional services fee	0.00	0
Accommodation fee (DAP / DAC)	43.73	15,960
Total daily fees	117.63	42,936

Deemed income		15,497
Income streams under deductible rules (assessable portion only)		0
Age or DVA Service pension / War widow / ISS / DFISA		17,690
DVA disability pension		0
Net rental income from the home		0
Net rental income from investment properties		0
Other income (including taxable income from trusts / private companies)		0
Total income		33,187
User tip: Enter additional / extra-service daily fees		
Daily fees	Per day	Per annum
Basic daily fee	49.42	18,038
Means-tested care fee	47.58	17,367
Extra-service / additional services fee	0.00	0
Accommodation fee (DAP / DAC)	0.00	0
Total daily fees	97.00	35,405

Still need a drawdown strategy. Care with rental strategy in 2 years time.

What could you add to business value?



Assumptions



- » Adviser attracts one aged care client a month at a fee of \$3,000 plus GST
- » Family meetings result in one new client with a portfolio of \$500,000 for every 4 aged care clients
- » Intergenerational wealth transfer – for every three aged care clients, adviser provides investment advice to one beneficiary in relation to inheritance of \$600,000
- » Average upfront advice fee for new non-aged care clients is \$3,000 plus ongoing advice fee equal to 1% of the portfolio
- » Lose 4 clients per annum as a result of not offering aged care advice (if assume 200 clients and 70% have parents over age 70% this is 3% of potential aged care clients in existing client base)
- » Time efficiency - adviser reduces time taken to draft and deliver aged care strategy paper by 2 days if using the Aged Care Steps Advice Generator™. Adviser charges an hourly fee of \$250 per hour

Getting you started .. our help



Advice Generator™



Paraplanning



Business Toolkit™



Accreditation program
and workshops



Website:

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The rise and rise of aged care: An adviser perspective

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The 3 Challenges of Aged Care Advice

CHALLENGE 1. HOW TO ATTRACT BUSINESS

- Referrals from facilities – requires hard work
- Your own client base – Aged Care business could be right in front of you!



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The 3 Challenges of Aged Care Advice

- **CHALLENGE 2: IDENTIFY WHAT CLIENTS' VALUE**
- When I first meet with family members to discuss Aged Care for their parents, the room is full with emotions

Guilt

Fear

Panic

Urgency



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The 3 Challenges of Aged Care Advice

- **CHALLENGE 2: IDENTIFY WHAT CLIENTS' VALUE**
- Feedback from the families tells us that they appreciate the financial services offered, however they also list the following outcomes of the advice process as being important

Having access to expertise, 'source of truth'

Removal of emotion

Simplicity amongst confusion

Family cohesion

Confidence & peace of mind around pathway forward

Liaise with the facility

Reassurance



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The 3 Challenges of Aged Care Advice

CHALLENGE 2: IDENTIFY WHAT CLIENTS' VALUE

SA457 form

- Complete the form for the client
- Provide an estimate of the outcome
- Follow up the completion
- To rectify any issues



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The 3 Challenges of Aged Care Advice

- **CHALLENGE 2: IDENTIFY WHAT CLIENTS' VALUE**
- Assist the Power of Attorney to meet his/her obligations
- Family meetings



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The 3 Challenges of Aged Care Advice

CHALLENGE 2: IDENTIFY WHAT CLIENTS' VALUE

Financial outcomes: Statement of Advice

- Options for care: don't forget home care & don't forget the spouse staying in the home
- Cost of care
 - Daily Care Fee
 - Means tested fee
- Assessment of the family home
- Ongoing Age Pension/DVA
- Accommodation Costs - RAD/DAP and RAC/DAC



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The 3 Challenges of Aged Care Advice

CHALLENGE 2: IDENTIFY WHAT CLIENTS' VALUE

Statement of Advice

- Taxation considerations
- Cashflow/Capital projections
- Estate Planning
- Investment structures
- Expenditure unrelated to the cost of care
- Cash reserve
- Premium for quicker report



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The 3 Challenges of Aged Care Advice

CHALLENGE 3. IDENTIFY WHAT TO CHARGE

- Not dissimilar to charging for non-Aged Care Advice
- Don't give away your intellectual property
- Cost to serve (your profit)
- Timeframes are often shorter for Aged Care because decisions must often be made more quickly
- Terms of engagement – what is to be included in your offer to the client
- Value to the client – not only monetary value



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The 3 Challenges of Aged Care Advice

Service	No Charge	Fee
<p>First Appointment only – includes Fact Find discussion and help with SA457 form at that appointment</p> <p>No advice provided at this first appointment but general questions can be discussed</p>	✓	
<p>Help with the SA457 (beyond the first appointment) – for follow up documents etc. required to get the form ready to lodge</p> <p>Preparation of an ‘Fee Estimate’ letter for lodgement with facility and to help your planning</p>		✓
<p>Advice Document [incorporates Service Level (2)] Written advice regarding:</p> <ul style="list-style-type: none"> •Expected cash flows, age pension •Aged care fees – Lump Sum vs Monthly Payments? MTCF? •Family Home – keep it or sell it? Rent it out? •Estate Planning •Other issues identified during initial meeting 		✓



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