



The Transition to Aged Care

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When planning ahead for your own retirement, or helping your parents into aged care living, whether to a retirement village or a nursing home, it is important to understand what facilities and resources are available to you, and what the financial implications of your decisions might be.

VERVE financial partners interviewed a number of clients seeking aged care for themselves or for their parents. We were impressed with the persistence and stealth with which they sought out information, however, we were also struck by the number who experienced frustration in finding reliable information to assist their decision making.

Turning to experienced, trustworthy professionals can make all the difference at such a time. **VERVE** financial partners specialise in financial planning for transition to aged care.

Negotiating the transition to aged care can be a difficult time for family members, emotionally and financially, compounded by the complexity of regulations and policies in this area. For those faced with an urgent decision to move, the process can be extremely stressful.

Based on our series of interviews, this paper was developed to help those planning or making the transition to aged care. The paper aims to outline the important considerations, with a particular focus on the financial factors and repercussions.

“Your head is spinning... there’s a ‘floundering around’ experience you feel when you are going through it...”

Janet, Campsie

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1. The Right Accommodation

1.1 Types of aged care accommodation and “The Jargon”

Aged care options range from retirement villages suitable for independent living, to nursing homes providing high levels of support, nursing and personal care. In between there are a range of facilities that offer low to high levels of care.

In general, facilities offering low level care provide some assistance with personal care tasks such as dressing and bathing, support services such as laundry and meals and some allied health services such as physiotherapy. Most people in low level care can walk or move about on their own.

High level care (or nursing home care) provides 24 hour nursing care. This care is suitable for those who are physically unable to move around and care for themselves, or those who have illnesses such as severe dementia.

Some facilities offer “aging in place”, where an aged care home offers both high and low level care, and the ability to stay in the same home even if your care needs increase.

Within each category of aged care facility, there are a wide range of offers, catering to a range of budgets, and to some extent, differing preferences.

The options also range from short term or respite care, to longer term more permanent care.

In addition, there are a range of subsidised government support services for those wanting and able to remain in their own home.

1.2 Needs assessment: Determining the right level of support

It can be difficult to know which level or type of care is right for you or your loved one.

Needs assessments, or Aged Care Assessment Team (ACAT) assessments are conducted by health professionals and are designed to consider how well the person is able to cope with self-care and daily living activities.

You cannot access some aged care facilities and government services without an ACAT assessment.

“With the confusion of all the different choices, you need good financial advice... so all your money isn’t eaten up. ”
Maureen,
South Hurstville

Our response:

We step in and offer practical assistance with all the bureaucratic requirements - helping to clear the confusion and freeing up your time straight away.



2. Funding the Move

2.1 Costs of aged care

No matter the type of aged care, the enormous cost of bonds paid to aged care facilities is a common concern.

Accommodation bonds are charged by aged care facilities. The amount of bond charged and other fees depend on a wide range of factors including (but not limited to) the location, property prices in the area, the resident's ability to pay, room size, views, proximity to communal areas, nurse stations, and extracurricular activities.

In the case of high level facilities or nursing homes, where residents require high levels of nursing care, the types of charges you may incur include

- * An accommodation bond, payable as a lump sum, or part lump sum and a periodic payment.
- * A basic daily care fee
- * An income-tested fee
- * An 'extra service' charge

2.2 Asset assessments: Options to fund the move

While not compulsory, an assets assessment helps determine the bond that aged persons may be asked to pay for permanent residential care. It is also used to determine whether someone is eligible for government assistance with their accommodation costs.

In some instances it may be preferable to negotiate payment with the aged care home directly, rather than having an assets assessment undertaken.

2.3 Property decisions

Knowing whether and when to sell the family home is a major decision facing many families at this time, with no one right answer.

A range of rules can apply, including some situations where the family home is exempt from the assets used in calculating a pension entitlement. In other situations it may be possible to keep and rent out the family home, making it assets and income test exempt.

Determining the best course of action will depend on a range of considerations based on each person's individual circumstances.

These can include whether the owner is happy to sell the property, the buoyancy of the real estate market, whether the sale proceeds will cover the nursing home bond, daily living requirements and/or ongoing fees, and what relevant finance-related products may be available.

**"You and your parents are worried about whether they are going to lose all their money when they go into care."
Fiona, Belfield**

Our response:
With careful planning and the right financial advice, transition to an aged care facility need not be a financial burden and worry. At **VERVE** financial partners, we specialise in helping families with this transition.



3. Other Considerations

While every case is different, many families consider implementing an Enduring Power of Attorney, to assist their loved one in effectively managing their affairs.

Centrelink have a range of benefits for which you may be eligible, depending on your circumstances.

In some cases, home support services such as meals on wheels and home care may be provided to enable people to live independently for longer or while they await a place in an aged care facility.

Respite care may also be available, either to give carers a break, or as a short term option while choosing the right longer term aged care facility.

Top 10 Financial Considerations

1. Have you found someone trustworthy to help relieve the financial anxiety?
2. Can that person speak 'plain English', without complicated jargon?
3. Is an ACAT assessment required?
4. Will the ACAT assessment affect any bond payable or any pension receivable?
5. How will you deal with care facilities, negotiate the bonds and minimise the daily fees whilst in care?
6. How will you maximise any eligible Centrelink benefits?
7. Have you reviewed any tax implications?
8. Should you sell or rent the family home?
9. If you sell the family home, how should you best deal with the proceeds?
10. Do you need an Enduring Power of Attorney?

**“Our challenge?
From a financial aspect,
if there were ways
around not having
to sell mum’s house,
and if there was ever
a possibility she may
want to come back to
the house.”
Janet, Campsie**

Our response:
At **VERVE** financial partners, we can help you determine the best way to manage your family’s property assets. Each family’s circumstances are different and we help you find the right solution for your individual situation.

4. Case study

At 61, 'Monica's'* progressing motor neurone disease meant she needed to move into a nursing home with high-level care.

Monica owned her own home. She held substantial assets in an allocated pension and investments, which had been used to cover her living expenses. Under Centrelink's Asset and Income Test, Monica's assets exceeded the eligibility limits to receive any Centrelink benefits. Monica was also worried that she may have to sell her family home to pay for the accommodation fees.

Monica is single, and has a daughter, 'Karen', married to 'Sam'. Were she to retain her home and pay the full bond upfront, the current value of the house would be assessed for the income tested fees and for determining the accommodation bond.

Our Recommendations

Our advice to Monica included:

- * Draw up an Enduring Power of Attorney so that Karen and Sam could act for Monica.
- * Karen and Sam rent out their own home, move into Monica's home and pay a nominal rent.
- * Draw up a rental agreement between Monica and Karen and Sam.
- * Pay majority of the accommodation bond upfront as a lump sum, funded through Monica's investments and her Pension account.
- * Retain a portion of the accommodation bond to make periodic payments to the nursing home.
- * Rollback the balance of Monica's Allocated Pension, so that the funds are exempt from Centrelink's asset test.

Why this strategy?

- * To minimise Monica's income tested daily care fees.
- * To maximise Monica's Centrelink entitlements.
- * To ensure sufficient income generated to meet Monica's ongoing nursing home fees.
- * To ensure Monica's home was exempt from the aged care income assessment, the accommodation bond assessment and for Centrelink income and assets tests.

Implications for Karen and Sam

We also advised Karen and Sam regarding the implications in deciding to rent their own home out, move to Monica's house and pay rent; specifically in regard to income tax and capital gains tax.

**Names have been changed to protect privacy.*

"How to structure it at first and get our heads around it."

Christina, Leichhardt

Our response:

VERVE financial partners can help you determine the best way to deal with your family property – be it selling, renting, a staged strategy or a combination of these.



5. Conclusion

5.1 Families need support

The transition to aged care is a complex one, with different services and levels of care available in the community. Everybody's story is different. The right advice and the right choice is unique to each person, with all the emotional and financial vulnerabilities involved.

Concern about the information available out in the wider community or lack thereof, was a commonality among interviewees. Some went to see financial advisers who were not able to help; others found advisors who used complicated financial jargon.

Most of the interviewees had to do their own fact-finding, which was an added and unwelcomed stress.

5.2 Finding the right financial partner

Finding a financial planner who is a specialist in this field, and who can tailor the financial arrangements to suit each client can make all the difference in meeting the needs of the person who is transitioning to aged care, and for their families.

“Yeah it’s not all plain sailing. It’s just a ‘maze’ out there!” Susan, Croydon Park

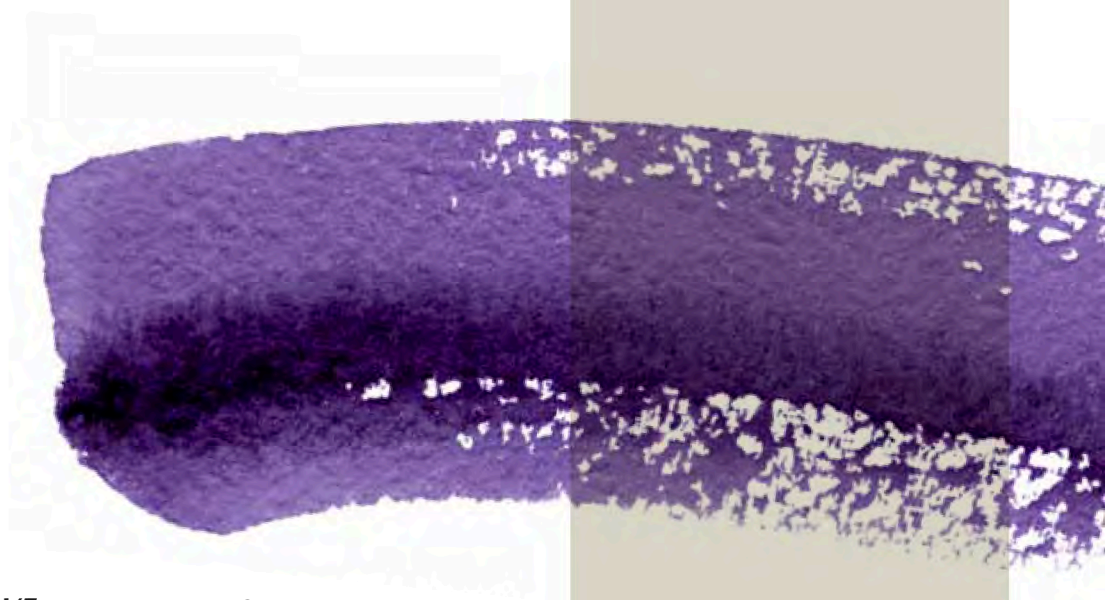
Our response:

As specialists, **VERVE** financial partners are experienced in guiding our clients through the maze - making the process as straight forward and painless as possible.

About the author

Gary Ho is a director of **VERVE** financial partners. Gary is an experienced financial planner who specialises in advising and guiding clients in their transition to aged care. He is a skilled strategist with the ability to provide concise options and his focus is to help clients use their wealth to achieve their most important life goals.

He is a Certified Financial Planner and a member of the Financial Planning Association. Gary's formal education includes a BA with Majors in Economics and Geography and a Diploma in Financial Planning.



About us

At **VERVE** financial partners, we provide:

- * Experience in the best ways to structure and finance a transition to aged care, no matter what your circumstances.
- * A comprehensive understanding of the specific needs of those considering transition to aged care.
- * Knowledge of the wide range of relevant services, benefits and options available.
- * Client focus by limiting client numbers. This allows time to build a sound relationship, understand what is important to you and add significant value.
- * An alignment of interests by charging a fee for service rather than being commission based.

We are keen to discuss your specific situation with you and help you make the best possible decisions regarding your own or a family member's transition to aged care.

If you are interested in finding out more about our other services, please visit our website: www.VERVEfp.com.au



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Sources / References

www.agedcareaustralia.com.au is the official aged care information site for the Australian Government Department of Health and Ageing