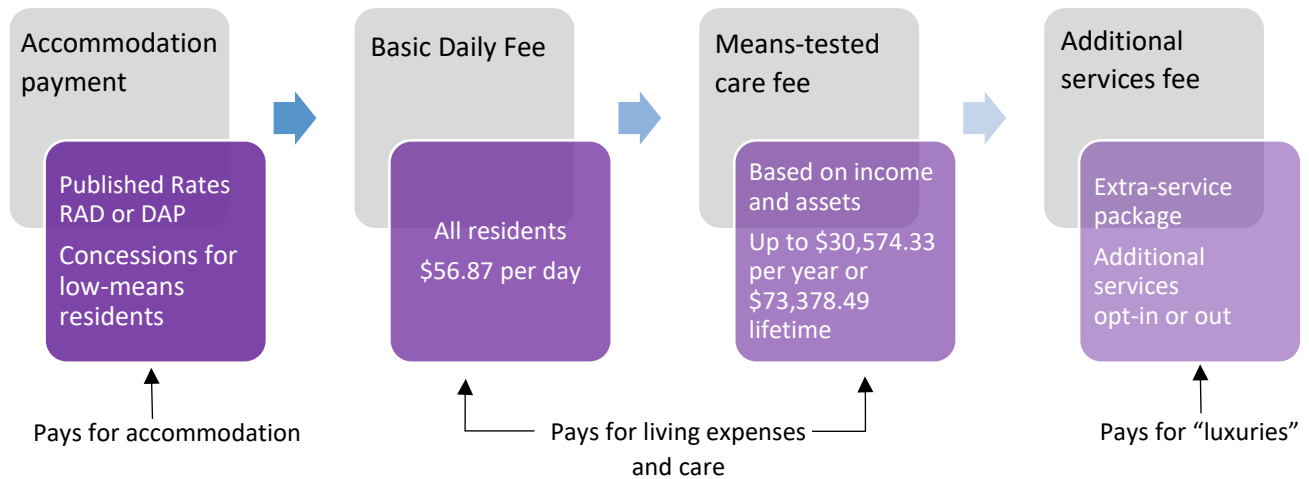


Aged Care Fees Explained

The applicable fees in residential Aged Care will depend on:

- The Aged Care service selected
- Your level of assessable assets and income
- May depend on your clinical requirements

The range of fees is shown in the diagram below:



Accommodation Payment

You will be asked to pay an accommodation payment as either a lump sum (Refundable Accommodation Deposit – RAD) or a Daily Accommodation Payment (DAP) or a mixture of both. This pays for your room and access to amenities available within the service. You have up to 28 days after signing your Resident Agreement to make this decision. The DAP (which attracts a current interest rate of 7.06%) can be paid from available income sources or assets. Alternatively, if you need help to manage your cashflow you can ask for the DAP to be deducted from any RAD that you have paid. This will cause your DAP to increase over time as your RAD balance decreases.

If you decide to make a payment towards your RAD within the first 28 days of entering care and disclose your level of assessable assets to your service, you may be limited as to how much you can pay towards your RAD as you must be left with \$52,500 in assets after making a payment. The funds paid in Refundable Accommodation Deposit/RAD are Commonwealth Government guaranteed and upon death the funds need to be paid to the estate within 14 days of probate being granted, otherwise the facility is charged a late fee of 4.04% p.a. currently.

All services must publish their accommodation payments and a description of the amenities on www.myagedcare.gov.au and need to adhere to their published prices (although they may agree to accept a lower negotiated amount). The amount is set by the service based on a range of commercial factors.

Any RAD paid is fully refundable to you or your estate when you leave. The RAD is only reduced if you instruct the service provider to deduct fees (including DAP) from the amount held or your care fees are unpaid. Repayment of the RAD is guaranteed by the Federal Government provided the service is an approved service provider. Payments as a DAP are not refundable. The amount paid as a RAD is included when calculating means-tested care fees but is exempt for determining your eligibility for age pension benefits.

Basic Daily Care Fee

The basic daily fee is paid by all residents. It is set at 85% of the single age pension (less the minimum pension supplement and the energy supplement) and is indexed every six months (March and September). The current rate is \$56.87 per day.

This fee is a contribution towards your living expenses in care which includes meals, cleaning, laundry, electricity and water services.

Means Tested Care Fee

Clients who receive a means-tested payment from Centrelink or Veterans' Affairs (DVA) will have their Means Tested Assessment (MTA) calculated based on records held on file for pension purposes. If these clients own a home, they will need to complete the Residential Aged Care Property details for Centrelink and DVA customers (SA485) form.

Non-homeowners do not need to complete any further forms.

Self-funded clients or those who only receive a non-means tested payment need to provide financial details to Services Australia by completing the Residential Aged Care Calculation of your cost of care form (SA457). The timing of lodging any forms and how the forms are completed needs to be done carefully to avoid problems, especially for couples. It is important that clients who receive a means-tested payment ensure all details held by Centrelink or DVA are up to date and have been updated in last 2 years.

If you do not complete this form you may be asked to pay for your actual cost of care up to daily, annual and lifetime caps. The maximum fee currently is \$256.44 per day.

Client Category	Assessment form to complete	Additional Details:
Non-homeowners receiving a mean-tested income payment from Centrelink/DVA	No form	Ensure Centrelink/DVA records up to date
Homeowners receiving a means-tested income payment from Centrelink/DVA	SA485 form to provide additional details on the home	Ensure Centrelink/DVA records up to date
Self-funded or Centrelink/DVA payment is not means-tested	SA457 form	Can choose to disclose or not at Question 13

This fee is reassessed each quarter based on changes to your finances and is only payable if the assessed fee is more than \$1 per day. It is subject to a current annual cap (\$30,574.33) and lifetime care cap (\$73,378.49). Once you reach your annual cap the fee will reduce to zero for the remainder of the year. It may also be limited to your cost of care (as calculated by Government fee schedules).

If you receive a means-tested pension you need to update Centrelink within 14 days of any significant change in your income, assets or personal circumstances. Your fee will then be re-assessed each quarter based on this information.

A facility may charge an interim means tested care fee from the day the resident permanently enters care until Centrelink confirm the actual means tested care fee. Any difference between the interim and actual means tested care fee may be refunded or back charged pending the assessment.

Additional/extra services fees

You may be able to access additional services for a fee. This can be on a user pays basis or you can pay for a package of items for a set daily fee if offered by the aged care service. This package may come as part of your room (extra-services room) or may be an optional package that you can select.

These additional services could include a choice of meals, daily newspaper, glass of wine or beer with meals, hairdressing, physiotherapy etc. You should discuss the options with your service and ask for a schedule of services available and the associated fees.

Aged Care – Helping you make a decision

This section outlines some of the important points that you need to understand when making your choice.

Where the strategies have taxation implications you should seek advice from your tax adviser or accountant. This should be checked both in terms of your personal taxation situation and the impact on taxation of your estate.

You may also wish to seek legal advice, especially in relation to any contractual arrangements and/or the impact on your estate plans (discussed further below).

When assessing the options, the main decision points include:



You will need to make various decisions depending on which option you would like to implement:

Making a payment towards your RAD

- The interest rate on any unpaid RAD is a fixed rate set at 4.04% per annum so unless you can invest money at a higher rate it may be beneficial to consider paying as much as possible of the RAD from your existing investments.
- The amount you pay upfront towards the RAD may also vary depending on which option you choose. When deciding how much to pay, you should ensure that you retain enough funds to cover any upfront expenses and your cash reserve requirements on an ongoing basis.
- Payments towards your RAD may help you to reduce your means-tested care fee by reducing your assessable income component. Payment may also increase your age pension benefits as a RAD is exempt from Centrelink income and asset testing when determining your benefits.
- There may be break and exit fees associated with selling down investments in order to fund the RAD.
- There may be tax implications such as Capital Gains Tax associated with selling down investments in order to fund your RAD. You should consider seeking professional tax advice for further clarification prior to the disposal of your assets.
- If you decide to contribute towards the RAD, you must notify the facility of your preferred method of payment within 28 days and payment must be paid within 6 months of admission.

Managing payment of your DAP

- If you do not pay your RAD in full you are required to pay the outstanding amount as a DAP at an interest rate of at 7.06% per annum.
- If paying for your DAP from cashflow or remaining investments is or becomes problematic, you can elect to deduct your DAP from any RAD paid. This may increase fees slightly compared to paying the DAP from cashflow but can help you maintain your required cash reserve and manage your cashflow. The RAD paid less DAP deducted will be the amount refunded to your estate.

Managing a cash reserve

It is important to maintain your required cash reserve. If you are unable to pay your expenses from your income, you may want to consider maintaining a higher cash reserve to absorb any cashflow shortfalls.

Considerations for your home

- If you enter residential care from 1 January 2017, regardless of how you pay the accommodation payment, you will remain a homeowner under the Assets test for a maximum of 2 years. At the end of this period (or when the home is sold) you become a Non-Homeowner and the net market value of the home is included as an assessable asset for Aged Pension Assessments only. If the home is not being resided in by a protected person, the home is capped at a value of \$178,839.20 for age care means testing purposes. As a result, in the event the home being sold for a value higher than \$178,839.20, there will be an increase in the means tested care fee.
- We have not assessed the value of your property, either for rental or sale purposes. Where we have considered or recommended the sale of your residence for the purposes of funding aged care accommodation, this information or advice is not based on any assessment of the property market or the specific sale or rental value of your property ourselves. We have only relied on information provided by you to us, for the purposes of our calculations and advice.
- Where the actual property value received at sale or rental varies from the estimates that you have provided, this may impact the appropriateness of our advice or cause unforeseen implications for your family and financial position.
- Should you wish to receive advice in relation to the value or sale of your property please contact a qualified real estate agent or property professional if you have not done so already. We also recommend that you seek specific advice on any potential costs and tax implications in relation to the potential sale or rental of your property, with an Accountant.

Estate planning implications

Before making changes to your assets, it will be important to review your Will to ensure the changes do not create unintended consequences. This is particularly important if you are unable to make any changes to your Will.

To make changes to your Will you need to retain legal mental capacity. Your power of attorney is not able to make changes to the Will on your behalf.

You should review:

- The terms of your Will and how your estate will be distributed (including the refunded RAD see below).
- Who is nominated as your executor.

Refund of the RAD

- The RAD that is paid to the aged care service will be repaid to your estate upon your death. As such it forms part of your estate assets. Payment is guaranteed by the Commonwealth Government provided it has been paid to an approved aged care service provider.
- The full RAD paid is refunded less any DAP or outstanding aged care fees that remain unpaid. The service provider has 14 days to repay the RAD to your estate from the date your executor provides them with a copy of the grant of probate.
- Interest is payable by the service provider on the refundable RAD from the date of death until it is repaid. This is paid at 2% above the lower deeming rate used by Centrelink.

Risks You Need to Consider - General Risks

There are general risks associated with any financial strategy or product. Changes to legislation may affect how your investments operate. Examples include changes to tax and superannuation law.

Other risks include:

- Market risk - Returns may decline as a result of market driven factors, which are independent to the actual investment. An example would be where a reduction in demand, results in a decrease in the value of the product.
- Economic risk - Due to a decline in either the Australian or global economy, the returns of the investment fall.

General Advice Warning

The information contained in this document is general in nature and does not constitute personal financial advice. The information has been prepared without taking into account your personal objectives, financial situation or needs. Before acting on any information in this document you should consider the appropriateness of the information and seek professional advice from a licensed financial adviser.

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