

Let's talk about aged care



Aged care can be a tough subject for many families to broach, but as we enjoy longer lives, there's a growing likelihood that at least part of our final years may be spent in aged care.

The decision to move into aged care can come with a raft of emotional issues, in addition to financial considerations. That could be because nursing home accommodation can involve substantial costs, especially for self-funded retirees who need their finances to last the distance.

The cost of an aged care facility

New residents entering aged care may be asked to pay an upfront refundable accommodation deposit. There is no set level for this deposit – the only proviso is that residents must be left with at least \$49,500 in assets (excluding the family home) after the deposit has been paid.

The deposit works like an interest-free loan to an aged care home. Any income earned from the deposit is used by the aged care home to improve accommodation and services for residents.

As aged care facilities are generally free to set their accommodation payments up to a certain limit, it's usually open to negotiation between families and the home's staff. This can be a source of discomfort as it means revealing your financial worth to complete strangers, however, simply being aware of how the system works can help you plan for it.

How do I pay my accommodation costs?

You can choose to pay for accommodation by:

- a lump-sum style 'refundable accommodation deposit'
- interest-type payments called a 'daily accommodation payment', or
- a combination of both.

The refundable accommodation deposit is generally returned to residents or their estate, if they move out or pass away.

Unfortunately, you will not receive the original sum back if you have arranged to have fees deducted from it.

Accommodation deposits vary widely and in some of our capital cities, amounts can run into hundreds of thousands of dollars. This makes it extremely important to consider all the facilities available and consider if a particular aged care home is the right place for you or your loved one.

Unfortunately, high demand for aged care, particularly high level care, often means families who haven't done their research accept the first place that becomes available, which can see a mad scramble for deposit money.

Basic daily fee

In addition to accommodation costs, a basic daily fee is charged for your day-to-day living costs such as meals, cleaning, laundry, heating and cooling. Everyone entering an aged care home can be asked to pay this fee.

The maximum basic daily fee for new residents is \$51.21 per day. This equals 85% of the basic age pension rate and it increases on 20 March and 20 September each year in line with changes to the age pension.

Means-tested care fee

This is an additional contribution towards the cost of care that some people - self-funded retirees in particular - may be required to pay. The Department of Human Services will work out if you are required to pay this fee based on your income and assets.

There are annual and lifetime caps that apply to the means-tested care fee. Once these caps are reached, you cannot be asked to pay any more means-tested care fees.

Funding it all

Meeting the future cost of aged care is just one aspect retirees need to factor into their investment portfolio.

The way your portfolio is structured can impact your age pension entitlements as well as the costs you'll pay for aged care.

Source: BT