

The five key questions on aged care

If you are considering aged care for someone close to you, there are five questions you need to answer.

It's a fact of life that many of us will need to one day face the daunting task of seeking aged care for someone close to us. At first the complexity of dealing with the personal, practical and financial issues may seem overwhelming, but there are positive ways to address these issues and we can help you navigate through them.

Question 1 – What are the aged care options?

The degree of care needed is evaluated by an Aged Care Assessment Team (ACAT). ACAT comprises health professionals and social workers and their role is to assess if the person needs assistance with services, such as home care or residential care.

All facilities provide assistance in daily living such as meals, laundry and cleaning as well as care. However not all facilities can offer more intensive support for a higher level of care, such as full-time nursing care. The ACAT assessment will determine the level of care you need to look out for so you can decide on a facility. It is important to take a look first hand, to get a feeling for the standard of care available, any extra services available and to allow you to start comparing the pros and cons of different aged care homes.

Question 2 – What costs are involved?

The costs of residential care can be confronting for the uninitiated. Whilst facilities are not government run, the cost of care is partly funded by the government and there may be significant costs to residents.

For instance, all residents will pay a standard resident contribution. In addition, residents may be asked to pay a means tested care fee, which is based on their level of assets and income. Resident's assets and income will be assessed by Centrelink to determine the amount you pay and any government subsidies you are entitled to. Additional fees, such as extra service fees offered by the facility may also apply.

Depending upon your level of income and assets, you may be required to make an accommodation payment. You can choose whether you pay this as a lump sum, a daily payment, or a combination of the two.

You can elect to enter a nursing home with your ACAT assessment and waive the Centrelink assessments – however this may mean that you do not receive any Government subsidies.

While all these costs may seem difficult to digest, it's vital to seek some advice on strategies as there are ways and means to limit fee liabilities so that aged care doesn't end up costing more than is necessary.

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Question 3 - What will happen to the family home?

In many cases, the family home will be the major asset to consider and once the reality of the costs of aged care start to become apparent, it may seem inevitable that the family home needs to be sold to fund these costs. However, the situation with the family home needs to be carefully considered.

If a spouse remains in the home then the value of that home is not assessable for aged care purposes and this may serve to reduce the contribution to accommodation costs and the means tested care fee required by the aged care facility.

If the home is left vacant, however, then it is assessable. The question here is whether it is better to sell the home or to retain it and rent it out. There is no simple answer. It requires a careful analysis of the resident's other assets and income. This is one area where a financial adviser can relieve clients of the worry of making the wrong decision, by providing an objective analysis of where the home can fit into the overall plan.

Question 4 – What are the impacts on the age pension?

Maintaining age pension entitlements can be a very sensitive area for many people. If selling the family home is being considered, then it is important to factor in how this may affect pension levels, as the proceeds from the sale of the home may fall under the assets test once sold.

It may well be possible to keep the home, rent it out and use the income from this to fund the accommodation costs. Again, there are no simple answers here. The age pension may only be one component of income, so it is vital to consider the total income picture.

Question 5 – Making the most of ongoing income

Optimising ongoing income for the aged care resident can be quite a challenge once all the complexities of the aged care conversation are taken into account. Looking at fees, the age pension, the family home and other financial investments will all have an impact on what ongoing income can be generated.

Analysing all these issues and structuring the most effective solution takes some skill to organise and an understanding of how all the factors interrelate, so don't go it alone.

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