



Understanding aged care fees and charges

When considering residential aged care, it is important to be aware of the costs involved for the care and accommodation. Similar to assessing the eligibility for Age Pension, aged care fees are also means tested based on the level of assessable assets and income.

Residential aged care fees

The residential aged care fee can be broken down into the following categories:

Accommodation payment – The amount paid for accommodation and entry into aged care will depend on the amount advertised by the facility and an individual's means. This may be paid as either an upfront lump sum (refundable

accommodation deposit – RAD), a daily payment (daily accommodation payment – DAP), or a combination of both.

Basic daily fee – The basic daily fees are paid by all residents to cover basic living expenses.

Means-tested care fee – Individuals may pay a means tested daily fee to assist in covering the cost of ongoing health care which will vary depending on the level of assets and income and is subject to certain caps.

Extra service fee – In certain circumstances, an individual may pay an additional fee to cover amenities and services above the minimum standard agreed by that individual and their care provider. All providers are able to offer extra services agreed with the individual based on an opt-in / opt-out basis.

Example 1

Robert is 78, single and owns his own home. He has a total of \$537,000 in a bank account after paying a refundable accommodation deposit (RAD) of \$350,000.

Robert entered aged care on the 15th of April 2017. His ongoing aged care fees are \$91.51* per day, and he receives \$49.50* in Age Pension per fortnight.

As his aged care fees exceed the income he received from his Age Pension, Robert will need to consider how he will fund the difference using the assets at his disposal.



Robert - 78 yrs



Own home

+



\$537,000

Enters Aged Care 15th April 2017



Aged Care Fees
\$91.51* per day



Aged Pension
\$49.50* per
fortnight



How will he fund
the difference?

Example 2

Elizabeth is 82, single and owns her own home. She has \$250,000 in bank accounts and financial investments after paying a refundable accommodation deposit (RAD) of \$350,000.

Elizabeth entered care on the 15th of May 2017. Her ongoing aged care fees are \$77.89* per day, and she receives \$828.30* in Age Pension per fortnight.

Her aged care fees are mostly covered by her Age Pension, however Elizabeth will still need to consider how to best use her \$250,000 in savings to support her income needs in care.



Elizabeth - 82 yrs



Own home

+



\$250,000+

Enters Aged Care 15th May 2017



Aged Care Fees
\$77.89* per day



Aged Pension
\$828.30* per
fortnight



How will he fund
the difference?

* Based on rates and thresholds to 30 June 2017, and assuming the home is retained and is left vacant.

Funding considerations

Depending on an individual's personal situation, there may be ways to increase their Age Pension entitlement and reduce their aged care fees.

These strategies may include spending money on non-assessable assets such as their home, giving away assets up to allowable limits or investing in assets which receive concessional assessment under the means tests.

To improve cash flow and help fund aged care fees, some people might also consider drawing down from their investments, taking higher payments from their superannuation pensions, commencing a long-term annuity or renting their home.

It's important to remember that everyone's situation is different and strategies that work for some, may not work for others.

For more information on how to best manage your aged care fees as well as your Centrelink entitlements, please speak to your financial adviser.

**Contact Financial Footprint
for further information
on 08 9322 7272 or visit
www.financialfootprint.com.au**

