



Aged care

Step 3: fees and funding

Whether considering options for yourself or deciding how best to help someone close to you, aged care is a complex area requiring careful thought. To help you obtain the best outcomes, these guides will take you through the process of applying for, receiving, and paying for the aged care support most suitable for you or your loved one.

In this guide we will look at some of the costs involved in receiving aged care support. We will also look at how much you or your loved one may need to contribute to the cost of aged care services depending on your means.

Fees and funding

Funding aged care can be one of the biggest worries when accessing help at home or considering a move into residential aged care for yourself or a loved one.

However, a financial adviser can help navigate the complexities of funding aged care, leaving you to focus on finding the right aged care home or home care provider.

In this document we will look at the main financial considerations that you and your adviser may discuss in funding aged care, identifying how they can help ensure you receive the best outcome for your personal situation.

Help at home

If you have been assessed for the Commonwealth Home Support Program, fees are negotiated directly with the service provider. Contact several service providers to identify what services are available and compare costs.

If you have been assessed for a home care package, there are two fees to consider.

Basic daily fee

Everyone receiving a home care package will pay this daily fee. As at 1 January 2018 the fee is \$10.17 per day. This amount changes as it is calculated on 17.5% of the basic single Age Pension which indexes March and September each year.

Income-tested care fee

If you are a full pensioner you will not pay an income-tested fee.

If you are a part pensioner, or a self-funded retiree, you may be asked to contribute to your home care costs if you have assessable income over an income-free area on a quarterly basis. The income-free area varies, depending on your circumstances.

The income-free area as at 1 January 2018 is \$26,328 per annum if you are single, and \$20,454 (each) if you are part of a couple. Assessable income includes a portion of the Age Pension, financial investments, salaries, real estate income etc.

It's important to note that there is a maximum amount you can be asked to contribute to your home care costs. The income-tested fee cannot exceed your care costs. Also, there is an annual cap on what you can be asked to contribute based on whether you are a part pensioner or a self-funded retiree.

The annual cap as at 1 January 2018 is \$5,313 for a part pensioner and \$10,627 for a self-funded retiree. There is also a lifetime cap which if reached, means you will no longer pay an income-tested care fee. The lifetime cap as at 1 January 2018 is \$63,760.

Residential aged care fees

Residential aged care fees can be complex and there are strategies available to help manage your ongoing aged care fees. Speak with your financial adviser while you are searching for a place you would like to stay to ensure your aged care fees can be managed long term.

Basic daily fee

A basic daily fee is payable by all residents for the costs of daily living, such as meals, power, and laundry. This amount changes as it is calculated on 85% of the basic single Age Pension which indexes March and September each year. As at 1 January 2018 the fee is \$49.42 per day.

Means-tested care fee

You may also be required to contribute to the cost of your ongoing care via a means-tested care fee, if your means-tested amount is greater than the maximum accommodation supplement. The maximum accommodation supplement as at 1 January 2018 is \$55.44 per day.

There is an annual cap which, if reached, means you no longer pay a means-tested care fee for the remainder of the year. The annual cap as at 1 January 2018 is \$26,567. There is also a lifetime cap which if reached, means you will no longer pay a means-tested care fee indefinitely. The lifetime cap as at 1 January 2018 is \$63,760.

Means-tested amount

The means-tested amount is calculated by combining both your income-tested amount and asset-tested amount on a quarterly basis.

Income-tested amount

Assessable income over the income-free area will be added towards the calculation of your means-tested amount. Assessable income includes a portion of the Age Pension, financial investments, salaries, real estate income etc.

The income-free area as at 1 January 2018 is \$26,328 per annum if you are single, and \$25,860 (each) if you are part of a couple.

Asset-tested amount

The asset-tested amount is calculated using a percentage of the value of your assessable assets at increasing thresholds. As at 1 January 2018, 17.5% of assets between \$47,500 and \$162,815 is counted. To this, add 1% of assets between \$162,815 and \$393,446 plus 2% of assets above \$393,446.

Assessable assets can include household contents, motor vehicles, financial investments and superannuation pensions. Also included will be your share of the family home, which at 1 January 2018 is capped at \$162,815. In some circumstances, your share of the family home may be ignored.

Where you are part of a couple, combine all your asset assets together and halve this portion to identify your share of assessable assets.

Accommodation amount

If your means-tested amount is higher than the maximum accommodation supplement at the time of entry into your residential aged care home, or you do not wish to disclose your assets and income, you will be required to contribute to the costs of your accommodation.

This amount is negotiated between yourself and the residential aged care home, but cannot exceed the amount published by the facility on the Government website www.myagedcare.gov.au.

You can fund the accommodation amount as a refundable lump sum, referred to as a refundable accommodation deposit (RAD), or in periodic payments, referred to as a daily accommodation payment (DAP). Or a combination of both.

If you pay a RAD, this will be refunded to your estate if you die, leave the care home, or move to another care home.

If you must pay an accommodation amount, you will need to make an accommodation agreement with the care home. This can be included as part of the resident agreement, or may be separate. The agreement should include:

- the agreed accommodation price
- details on the three payment options you can choose from
- other conditions regarding the accommodation fee
- the eligible refund amount (RAD) if you die or leave the home
- any extra services included at additional cost
- the specific accommodation provided
- any services your fee entitles you to receive
- conditions relating to changing rooms

Useful services

We hope you have found these guides to aged care useful. If you are looking for more information, there are several resources available to help you further:

Case studies – Challenger have up-to-date case studies available for you to review. Ask your financial adviser for the latest cases.

Jargon 'buster' – Some of the terminology used in aged care discussions can be quite confusing. The government's aged care website, www.myagedcare.com.au, have a glossary that can help make sense of some of the industry jargon used.

Frequently asked questions – If you have a question that hasn't been answered by these guides, visit www.challenger.com.au/retire/agedcarecosts.asp to see what other people have been asking Challenger.

**To find out more about your aged care options,
talk to your financial adviser.**

