

Managing the costs of aged care

Choosing the best aged care home for yourself or a loved one can take its toll – both emotionally and financially. But with a bit of planning, you can take control of your cash flow and make sure you find the right care facility.

Whether you're considering residential aged care for yourself, a family member or a friend, the options can seem overwhelming – and that's before you even get started on the paperwork.

You want to find the best aged care home possible, but within a realistic budget. We break down the costs of going into aged care, putting you on the right foot to make a financial plan with the help of your Financial Adviser that will support a comfortable lifestyle and quality care.

How much will it cost?

While aged care facilities receive a helping hand from the Australian Government, you'll still need to contribute towards the cost of care for you or your loved one. Generally speaking, there are four types of fees you may be charged: an accommodation fee, basic daily care fees, a means-tested fee and extra services fees.

Accommodation fees

One of the biggest questions for retirees entering aged care is how to pay for accommodation. There's no fixed price for accommodation, as each aged care facility can set its own fee based on factors such as local property prices and room type. So, while the average accommodation costs are around \$350,000 to \$400,000, these could be even higher if you're living in an expensive city like Sydney or Melbourne, or if you choose a room with a private bathroom.

But the amount you pay also depends on your level of income and assets. When you go into care, you'll need to lodge an income and assets assessment form so the Department of Human Services can assess your financial situation. If you're seeking aged care as a couple, you'll be considered to own half of the combined income and assets of you and your partner.

Depending on their assessment, the Australian Government may cover all or part of your accommodation costs. If you're required to make an accommodation payment, you'll have 28 days after entering aged care to decide your payment method.

You can choose between a lump sum payment, called a Refundable Accommodation Deposit (RAD), and Daily Accommodation Payments (DAP) – or a combination of both. Daily Accommodation Payments are essentially interest payments on any outstanding accommodation payment amount, while the RAD is an interest-free loan to the aged care facility which you'll get back if you leave or will become part of your estate when you pass away.

Your Financial Adviser can give you guidance on the best payment method for your financial situation.



Basic daily care fees

In addition to your accommodation payment, you'll need to pay ongoing fees to cover all your day-to-day living costs such as food, laundry and cleaning. Basic daily care fees are regulated by the Australian Government, and are set at 85% of the maximum single Age Pension.

Currently, this fee is \$48.25 per day – or over \$17,600 per year – and it increases twice a year with changes to the Age Pension.¹

Means-tested fees

On top of your basic daily care fees, you may be asked to make an additional contribution to the cost of your care. When you fill out your income and assets assessment form, the Department of Human Services or the Department of Veterans Affairs will work out whether you have to pay this fee and how much it will be.

The means-tested fee is currently capped at \$25,939.92 a year, or \$62,255.85 over a lifetime – so once you've reached this amount, you can't be asked to pay any more in fees.¹

Because this fee is based on your assets as well as your income, you'll need to take into account how it might be impacted before you decide to make major financial decisions such as selling the family home. Your Financial Adviser can help you work out the best strategy for your own situation.

¹ Australian Government, Aged Care Homes: Costs Explained, 2016.

Extra services fees

Some aged cared homes have dedicated extra service places which provide a higher standard of accommodation or services. If you choose an extra service place, you'll need to pay an extra service fee.

What's more, in standard aged care homes you may have to pay additional fees if you wish to enjoy a higher standard of accommodation, greater choice of meals or additional services such as hairdressing, podiatry, Foxtel or newspaper delivery. If your aged care facility offers these services, they can set their own fees – but you should have the choice of whether or not you wish to use, and pay for, these services.

For an estimate of how much you or your loved one may pay in aged care fees, you can use the Australian Government's Residential Care Fee Estimator or speak to your Financial Adviser.

Planning your future

Before you can choose the best quality care, you'll need to work out your finances. By factoring in your upfront and ongoing fees, as well as having something put away for extra expenses that crop up, you'll be able to figure out exactly what you can afford – and start searching for an aged care facility that meets your needs within your budget.

That's where getting financial advice can make all the difference. With the guidance of a Financial Adviser specialised in aged care, you'll have the support you need to manage the paperwork from the Government and the aged care home. Your Financial Adviser can also work out the right payment options for your situation, while ensuring a steady cash flow to take care of your immediate needs.

What's more, they can guide you through the biggest financial decisions you'll need to make: from selling the family home to planning your estate. Your Financial Adviser can help you understand the longer term effects of these decisions, including their impact on your age pension and your aged care means-tested fees.

Speak to us for more information

If you would like to know more, talk to your Count financial adviser. They can give you more detailed information on the best approach for your situation.

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