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Ageing clients,
advice and ethics

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1. Introduction

This paper provides a brief overview of the aged care fees in residential aged care for clients moving into residential aged care from 1 July 2014 (subject to changes to assessment rules on the former house which underwent changes on 1 January 2016 and 1 January 2017).

The cost of aged care may appear to be expensive, but considering that the person is paying for somewhere to live, all meals, electricity, cleaning and laundry services and people to look after them around the clock it may look more like value for money. The main complication is funding the accommodation cost and the increasing additional care fees.

The rules for calculating fees are set by the government. How much a person pays will depend upon which residential service (facility) the person moves into, how much income they have, the value of their assets and the services they take up.

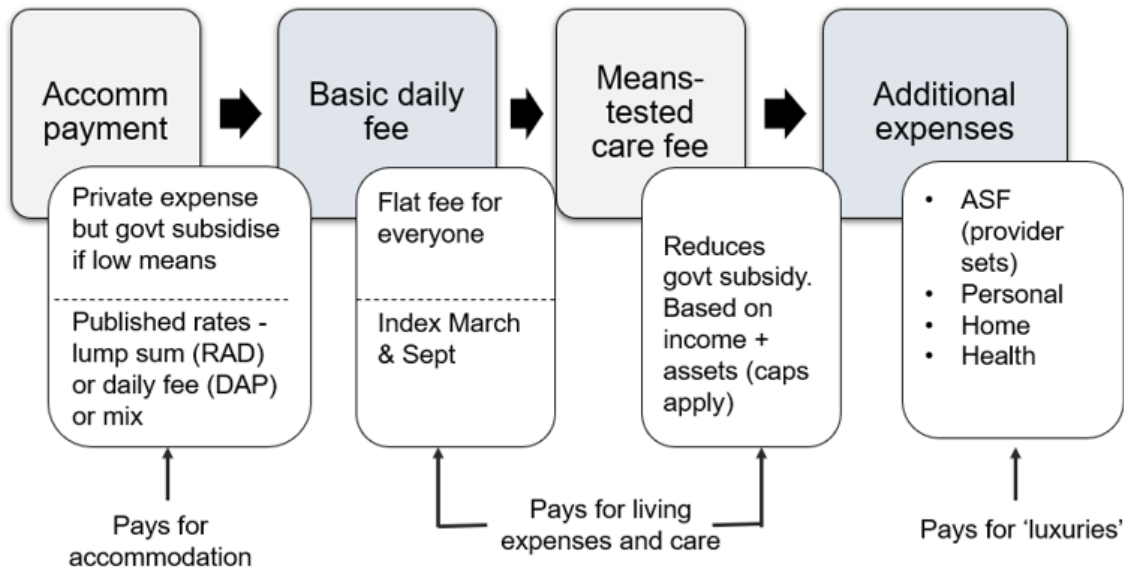
The cost of the person's accommodation is generally a private expense although government assistance may be available for clients with low levels of income and assets (low-means). If the person has an ACAT/ACAS approval and accepts a government-subsidised place, a large portion of the ongoing care costs are paid by the government. The more income and assets a person has, the more they may be asked to contribute towards the cost of their care.

This paper provides an overview of the current cost of residential care, the types of fees that are payable. It does not cover all issues in relation to fees but is an introduction to the knowledge that advice professionals will need.

The fees and thresholds used in this paper change on a regular basis and are current from 20 September 2019 to 19 March 2020, except the MPIR which is current from 1 January 2020 to 31 March 2020. Updated rates are available from www.agedcare.health.gov.au for aged care and from www.humanservices.gov.au for Centrelink benefits.

2. The cost of permanent residential care (post 1 July 2014)

This section covers the fees for clients who enter aged care on or after 1 July 2014. The fees payable by a permanent resident in aged care are divided into four categories:



The fees match up to expense categories the person would have needed to pay if living in a private residence. In contrast to home care which can be an additional expense for a client, the fees for residential care largely replace the personal expenses that a client was paying when they lived in their own home.

In this way, their income needs have changed and cash flow requirements will need to be adjusted.

TIP	<p>The fees that can be charged to a resident and the rules around how the resident can be charged are heavily regulated by the government under the Aged Care Act 1997. You can refer to this Act at:</p> <p>http://www.austlii.edu.au/au/legis/cth/consol_act/aca199757/</p>
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Accommodation payment

It is important to note that the accommodation payment can vary from service to service. It is set by the service provider based on commercial factors. The service provider may charge the same price for all rooms or a different price for different rooms.

Once set, the fee is published on the service's own website as well as the government site www.myagedcare.gov.au. It is published as a lump sum (refundable accommodation deposit) and as the equivalent daily fee (daily accommodation payment).

Basic daily fee

The basic daily fee is payable by all residents, whether in respite or permanent care. This rate indexes on 20 March and 20 September in line with age pension changes. It is set at 85% of the basic single rate of age pension (ie the single pension before supplements are added) which is currently \$51.63 per day.

Means-tested fee (MTF)

The cost of care is up to \$252.20 per day. The person will pay part of this cost depending on affordability as measured by the “means-tested amount” (MTA). This is a formula that combines assessable income and assets to create a measure of daily affordability.

The MTF payable is the amount that the MTA exceeds a threshold (currently \$57.49) and is subject to an annual cap currently set at \$27,754.52 (indexed) and a lifetime cap set at \$66,610.90 (indexed).

Additional service fees

The service provider may choose to offer additional services packaged to the client for an additional services fee. The package may be optional or may be attached to the room and is not optional. This package could include items such as:

- Choice of meals and wine/beer with meal
- Access to services such as podiatrists or hairdressers
- Newspapers
- Foxtel etc.

Additional service fees generally range from \$10 a day to \$150 a day but the average seems to be around \$40-\$60 a day.

3. The accommodation payment

Accommodation payments are a contribution towards a person’s aged care accommodation costs. It covers the room and access to amenities.

Published rates

Each accredited residential service sets the payment (or range of payments) and publishes these amounts on their own website as well as on myagedcare.gov.au.

The published rate is the maximum that the service can charge, but some providers may be willing to negotiate a lower amount. Services cannot negotiate to accept payments higher than the published rate.

Services can self-assess the price they set for accommodation based on commercial factors. If they want to charge more than \$550,000, they need approval from the Aged Care Pricing Commissioner and must justify that the price represents a higher standard of accommodation.

Choice of lump sum or daily payment or combination

The accommodation payment is specified in the Resident Agreement which the person moving into care will be asked to sign, usually before becoming a permanent resident.

The Resident Agreement will specify the accommodation payment as both a lump sum (called a refundable accommodation deposit – RAD) and the equivalent daily accommodation payment (DAP). This is a bit like choosing to either “buy” or “rent” the room.

The conversion of the RAD into a DAP is based on an interest rate (called the maximum permissible interest rate – MPIR) set by the government. This rate changes each quarter but is fixed as the amount that applied when the Resident Agreement was signed. The rate from 1 January 2020 to 31 March 2020 is 4.91% per annum.

Once the person is accepted as a permanent resident, interest (DAP) starts applying on any accommodation payment that was agreed but remains unpaid as a RAD. The person can choose to either keep paying this DAP or pay all or some of the RAD. They have 28 days after moving into care to decide which option to pay. This gives residents time to seek advice on how to structure investments to meet cashflow and protect their estate.

RAD is fully refundable and guaranteed

The RAD is fully refundable when the client leaves care (or dies), unless the client has allowed the service provider to deduct other fees (ie part has been spent). The guarantee does not apply to non-approved services such as supported residential services/facilities or independent living units and serviced units in retirement villages.

Repayment is guaranteed by the Federal Government provided the service provider is approved under the Aged Care Act. Always get the client to check that the service is operated by an approved provider – ask to see their approval certification or check details of the service on the myagedcare.gov.au website.

Low-means residents may receive concessions

If a person has low income and assets they may qualify as a “low-means resident” and the government will help to pay for their accommodation in addition to subsidised care

Accredited aged care services need to hold a certain number of beds for low-means residents. However, with some providers it may be difficult to secure a place as low-means, especially if they have already filled their quotas and are not interested in exceeding them. Some providers may only offer low-means residents a shared room. With other providers there is no difference in the place in the waiting queue or the room offered for a low-means or full-RAD paying resident. It is important for clients to understand any implications of applying as low-means.

A person will be assessed as low-means if their MTA is lower than the amount set as the “maximum accommodation subsidy” (MAS) that is payable to any service.

A low-means resident will not lose their low-means status if financial circumstances change after the move (unless they move to a new provider), but the amount they are asked to contribute can be adjusted each quarter in line with affordability (MTA) changes. The most they will be expected to pay is the accommodation subsidy that applies to their service provider.

4. Means-tested amount (MTA)

When a client is looking to enter residential care they need to determine how much they will be asked to pay for care. This is where the means-tested amount (MTA) is important as it is a measure of affordability.

The MTA is calculated by DHS based on a client's income and assets to determine whether they can afford the published accommodation payment (as daily rate which can then be converted to lump sum) as well as the amount of ongoing care fees.

MTA calculation

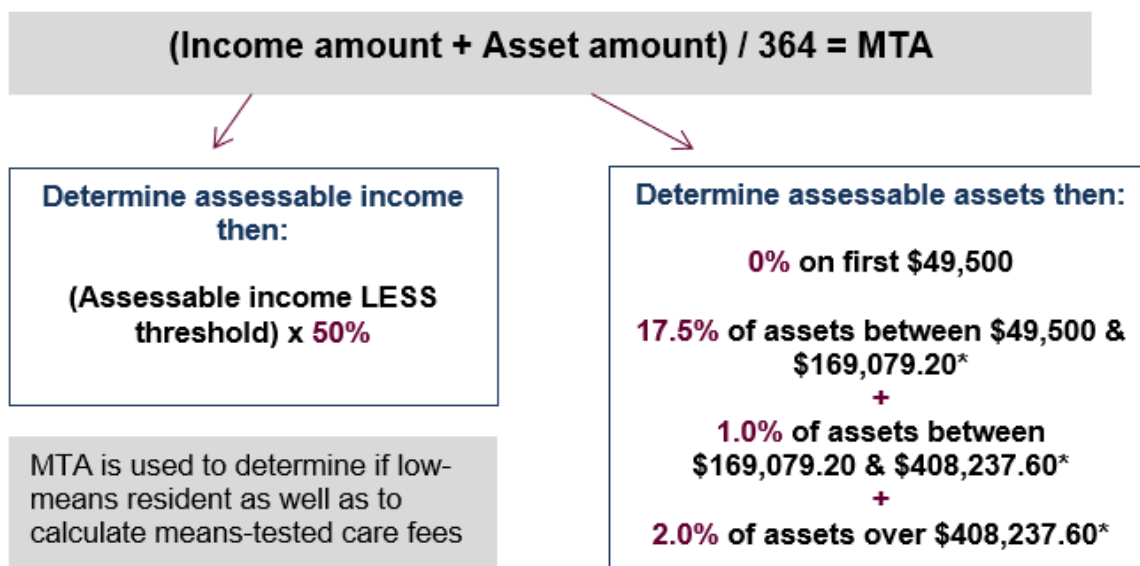
Clients who receive a means-tested payment from Centrelink or Veterans' Affairs (DVA) will have their MTA calculated based on records held on file for pension purposes. If these clients own a home, they will need to complete the *Residential Aged Care Property details for Centrelink and DVA customers (SA485)* form. Non-homeowners do not need to complete any further forms.

Self-funded clients or those who only receive a non-means tested payment need to provide financial details to DHS by completing the *Residential Aged care Calculation of your cost of care form (SA457)*.

The timing of lodging any forms and how the forms are completed needs to be done carefully to avoid problems, especially for couples. It is important that clients who receive a means-tested payment ensure all details held by Centrelink or DVA are up to date and have been updated in last 2 years.

The MTA formula

The formula below is used by the Department of Human Services (DHS) to calculate a client's MTA. It is really two separate formulae (one to calculate income amount and one to calculate asset amount) combined into an overall formula.



* Thresholds to 19 March 2020

TIP	If the client is a member of a couple the assessable income is combined income of both partners. The person moving into care is allocated half of the total and this is applied against the couple income-free threshold.
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Note that 364 is deliberately used in this formula, as 26 fortnights times 7 days equals 364 days in year. This avoids rounding differences.

If the MTA is more than the MAS (currently \$57.49) the client is not a low- means resident and will need to pay the market rates published by the service provider unless the provider is willing to accept a lower amount.

Assessment of the former home

A client's home may have an impact on their MTA calculation. The rules for how the former home are assessed are different for aged care calculations than for means-testing for Centrelink or DVA payments.

If a client moves into residential care, their former home will remain an exempt asset when calculating the MTA if a protected person still lives in the home. A protected person is defined as:

- A spouse
- A dependent child under age 18 (or under age 25 and in full-time study) for whom the client is the legal guardian
- A close family member who has lived in the home for at least five years and qualifies for income support at the time of assessment
- A carer who has lived in the home for at least two years and qualifies for income support at the time of assessment.

If none of these people are living in the home (or they cease to continue living in the home or the carer or close relative no longer receive an income support payment) the home is assessable as an asset but only at a capped value. Currently this capped value is \$169,079.20. The capped value will continue to apply even if the full value of the home becomes an assessable asset under the Centrelink assets test rules.

If the home is rented the rental income is assessable income for the MTA calculation unless the person moved into permanent care before 1 January 2016 and is paying some of their accommodation cost as a DAP (or DAC if a low-means resident).

If the home is owned by one or both members of a couple and both have moved into care the value of the home is assessable unless another protected person remains in the home. Each person is allocated half of the home's total market value and this amount is included in their MTA but only up to the capped value each. Rental income is also split.

5. How Aged Care Steps helps



Chances are many of your clients are struggling with decisions around aged care or how to cope with their frailty years. Or perhaps clients are concerned about an older parent?

How can you help clients with top-notch aged care advice that is effective and efficient?

Whether you have an urgent need for a single client or you want to make aged care a significant part of your business, Aged Care Steps is here to help. We back you up to give you the **confidence** to help clients make **informed** choices.

How we help you

Aged Care Steps can help you start the journey or accelerate your business growth. We can help you gain the knowledge and skills you need, but also support you to create efficient advice documents and have conversations with current and potential clients.



Accreditation training

Get your knowledge up to speed, with the ACS accreditation program (including 2 days face-to-face). We introduce you to our 9-step advice process that delivers a framework for aged care advice.



Paraplanning

Outsource the preparation of your aged care advice documents with support to develop strategies and model advice options.



ACS Advice Generator™

Industry leading software which enables you to quickly and accurately produce aged care advice documents and compare up to five scenarios. With simple data input and template wording, it is intuitive and easy to use. The Generator saves you time and minimises the risk of making errors.



CPD activities

Monthly strategy webinars to keep you up to date and practice development workshops to build effective advice businesses including how to price your services and develop client value propositions.

ACS Business Toolkit™

Your business kit with knowledge and marketing tools at your fingertips:



Client brochures & strategy papers



Client seminar kits



Marketing flyers & posters



Quick calculators



Technical library



Client conversation guides

Your opportunity and advice journey

Advisers who include aged care advice into the service offering have been able to :

- 1 Attract new clients
- 2 Better support clients for their whole retirement
- 3 Build relationships with the next generation of potential clients
- 4 Create referral relationships

When clients need help who will they talk to? Will it be you? Don't risk losing your clients just because you didn't have an aged care solution for your business. Whatever business model you choose, you can partner with Aged Care Steps to access the support you need.

Get started and be business ready – **Accreditation** program and **Business Toolkit**



Start the conversation with clients and attract new clients – **marketing materials** in **Business Toolkit**



Develop strategies with our 9-step advice process, strategy papers and quick calculators in **Business Toolkit**



Deliver advice using the **Advice Generator** to model strategies and access document templates or use **paraplanning**

What our clients say

If you want to be successful in providing aged care advice, then accessing both the Business Toolkit and Advice Generator is essential.
Mike Curley, Morgans Financial

The Advice Generator is a fantastic tool that enables me to put together a comprehensive strategy paper for a client in an hour. It makes delivering aged care advice very efficient. It used to take days to put together the aged care advice document for clients.
Rod Chase, RI Advice Morisset

I recently had a demo of your Advice Generator. Having worked in software for 9 years I have to say I'd definitely recommend it. Current software solutions don't cater for Aged Care as well as they should, if at all. The Generator is quick and easy to use and provides invaluable output comparing different scenarios for the end client ensuring they are provided with meaningful output so that advisers can make the right decisions with their clients.
Jason Lien, Centuria

Outstanding workshop. 9-step process is invaluable. Information on working aged care advice into our business was great.
Andrew, Professional Investment Services, QLD



Want to know more?

Find information at agedcaresteps.com.au

or call us on **1300 226 816** or email info@agedcaresteps.com.au

ABN 42 156 656 843 AFSL 486723

6. Case study calculations



Home care fees calculator

Current to: 19-Mar-20

Date: 04-Feb-20

This calculator estimates the level of home care fees payable for a person accessing a home care package from 1 July 2014. Centrelink / DVA / aged care rates and thresholds are current to 19 March 2020. For couples, it assumes both are over age / service pension age and calculates fees for one person.

Client name Elizabeth

Adviser name

Personal details

Relationship status: single
Homeowner: yes

Centrelink / DVA details

Benefit received: none
Qualifying service: no

Asset details

Cash	60,000
Shares	900,000
Other non financial investments (eg: lifestyle assets)	10,000
Total assets	970,000

Income details

Deemed income	27,764
Total income	27,764

Home care fees payable by client (per annum)

Basic fee	3,778
Income-tested care fee	0
Total client fees	3,778

Additional government subsidy (for a Level 3 package)*	33,638
LESS: provider's admin fees	0
Total package value available	37,416

* This amount is the government subsidy of \$33,638 per annum LESS the income-tested care fee paid by the client

Disclaimer

The calculator is provided by Aged Care Steps Pty Ltd for use by authorised financial advisers to give clients an indication of aged care fees. It is general information based on our understanding of the relevant Australian legislation as at the date shown on this printout and the information collected and input by your adviser. Your adviser takes responsibility for any advice under their own AFSL. We recommend individuals seek financial, legal and tax advice relevant to their own personal situation before taking any action based on these calculations. Aged Care Steps Pty Ltd ABN 42 156 656 843, AFSL 486723, registered tax (financial) advisers 25581502, registered tax (financial) advisers 25581502.



Low-means resident accommodation calculator

Current to: 19-Mar-21

Date: 03-Feb-21

This calculator estimates the level of daily accommodation contribution (DAC) and the equivalent refundable accommodation contribution (RAC) for new or existing residents who entered care after 1 January 2017 or between 1 January 2016 and 31 December 2016. Centrelink / DVA / aged care rates and thresholds are current to 19 March 2020. For couples, it assumes both are over age/service pension age (unless exclude age pension is selected) and calculates fees for one person.

Client name: Elizabeth

Adviser name:

Personal details**Care details****Centrelink / DVA details**

Relationship status:

couple

Entry date:

After 1 Jan 20

Benefit received: Age pension

Homeowner:

yes

Resident type:

new

Qualifying service:

n/a

Protected person: yes

Service supplement:

\$57.49

Home assessed: no

Asset details

Home (market value)

830,000

Contents / other lifestyle assets

10,000

Cash

60,000

Shares

120,000

Total assets**1,020,000****Income details**

Deemed income

3,676

Age or DVA service pension / war widow / ISS

48,537

Total income**52,213****Accommodation contribution details**

MPIR

4.91%

DAC

\$21.87 per day

Equivalent RAC (lump sum)

\$162,577

Means-tested care fee

\$0.00 per day

Basic daily fee

\$51.63 per day

Disclaimer

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Daily care fees calculator

Current to: 19-Mar-20

Date: 04-Feb-20

This calculator estimates daily care fees for a person entering residential care after 1 Jan 2014 based on the selected entry date. Centrelink / DVA / aged care rates and thresholds are current to 19 March 2020. For couples, it assumes both are over age/service pension age (unless exclude age pension is selected) and calculates fees for one person.

Client name Philip**Adviser name****Personal details**

Relationship status: couple

Homeowner: yes

Protected person: no

Care details

Entry date: After 1 Jan 2017

RAD: 0

MPIR: 4.91% per annum

Centrelink / DVA details

Benefit received: Age pension

Home assessed: no

Qualifying service: n/a

Blind pensioner: no

Asset details

Home (market value) 830,000

Contents / other lifestyle assets 10,000

Cash 60,000

Shares 120,000

Total assets **1,020,000****Income details**

Deemed income 3,676

Centrelink age pension 48,537

Total income **52,213****Daily fees**

	Per day	Per annum
Basic daily fee	51.63	18,845
Means-tested care fee	2.61	953
Extra-service / additional services fee	0.00	0
Accommodation fee (DAP / DAC)	0.00	0
Total daily fees	54.24	19,798

Disclaimer

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7. Rates chart

Aged care facts & figures

1 January 2020 - 19 March 2020



Residential care – entry from 1 July 2014

Basic daily care fee

Resident	Basic daily fee (per day)	Annual amount
Permanent	\$51.63	\$18,844.95
Respite	\$51.63	\$18,844.95

Means-tested care fee (MTF)

MTF formula

$$[(\text{Income amount} + \text{Asset amount}) / 364] - \$57.49$$

Income amount is calculated as:

$$(\text{Annual assessable Income}^* - \text{Income threshold}) \times 50\%$$

*Centrelink/DVA payments (less minimum pension supplement, energy supplement and any adjustments) plus private income assessed using Centrelink/DVA income test rules (includes rent on former home if enter care from 1 Jan 2016).

	Single	Couple (each)
Income threshold	\$27,463.80 pa	\$26,943.80 pa
Deduct if applicable	Single or illness-separated (pa)	Couple (each)
Minimum pension supplement	\$962.00	\$725.40
Energy supplement	\$366.60	\$275.60

Asset amount is calculated as:

Assessable assets*	Percentage assessable	Asset cumulative calculation
First \$49,500	0%	Nil
\$49,500 to \$169,079.20	17.5%	Nil + 17.5% for each \$1 over \$49,500
\$169,079.20 to \$408,237.60	1%	\$20,926.36 + 1% for each \$1 over \$169,079.20
Over \$408,237.60	2%	\$23,317.94 + 2% for each \$1 over \$408,237.60

*Assessable assets include capped value of home (unless protected person still lives there) plus amounts paid as RAD / bonds.

Capped home asset value **\$169,079.20**
(Capped value is per person if member of a couple and not exempt)

Maximum MTF

Daily cap	ACFI cost of care (up to \$252.20)
Annual cap (anniversary year)	\$27,754.52
Lifetime cap	\$66,610.90*

*Includes income-tested home care fees on post 1 July 2014 packages.

MTF reduces to nil for rest of year once annual cap reached, or permanently once lifetime cap reached. No MTF for ex-prisoners of war.

Accommodation payments

Low-means resident

Classified as low-means resident if Means-tested amount (MTA) < \$57.49 at date of entry into care service. Requires assessable assets below \$169,079.20 (and subject to income).

$$\text{MTA} = (\text{Income amount} + \text{Asset amount}) / 364$$

Low-means residents may pay a daily accommodation contribution (DAC). Can convert to lump sum (RAC) using MPIR.

$$\text{DAC} = \text{MTA}^*$$

*Capped at accommodation supplement payable to residential service:

Service provider	40% or less of residents low-means	More than 40% of residents low-means
New or significantly refurbished	\$43.12 per day	\$57.49 per day
Standard service	\$28.10 per day	\$37.47 per day

Interest (MPIR) on unpaid RAD

Rate fixed at date of entry to care service and applies to any unpaid RAD.

Residents entering care service	Rate pa
1 January 2020 – 31 March 2020	4.91%
1 October 2019 – 31 December 2019	4.98%
1 July 2019 – 30 September 2019	5.54%
1 April 2019 – 30 June 2019	5.96%

Hardship threshold

$$1.5 \text{ times pension rate} = \$36,402.60$$

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Residential care – entry before 1 July 2014

Basic daily care fee

Resident	Basic daily fee (per day)	Annual amount
Permanent	\$51.63	\$18,844.95
Respite	\$51.63	\$18,844.95

Residents who entered care before 20 September 2009 may pay daily care fees under one of the following categories:

Protected resident \$47.07	Entered care before 20 September 2009 and part-pensioners with private income above relevant threshold or self-funded
Non-standard resident \$58.61	Entered care before 20 March 2008 and paid large bonds or did not disclose financial information to Centrelink.

Income-tested care fee (ITF)

ITF up to \$82.00 per day.

An ITF is payable if assessable income exceeds thresholds:

Resident	Single	Couple (each)
Standard	\$1,056.30 pf	\$1,036.30 pf
Protected	\$887.80 pf	\$867.80 pf
Non-standard	\$1,056.30 pf	\$1,036.30 pf

Formula to calculate Income-tested fee (pre-1 July 2014 residents):

$$(\text{Fortnightly assessable income} - \text{Fortnightly income threshold}) \times (5/12) / 14$$

Bond retention (max 60 months)

For residents entering new care service in the period:	If bond is at least*	Maximum monthly retention amount
1 July 2019 – 30 June 2020	\$44,280	\$369.00
1 July 2018 – 30 June 2019	\$43,680	\$364.00
1 July 2017 – 30 June 2018	\$42,840	\$357.00
1 July 2016 – 30 June 2017	\$41,940	\$349.50
1 July 2015 – 30 June 2016	\$41,400	\$345.00

* Lower retention applies to smaller bonds

Interest (MPIR) on unpaid bond (if transfer to new facility)

Residents entering care service	Rate
1 January 2020 - 31 March 2020	4.91%

Home care

Basic daily fee

Home care package level	Basic daily fee	Annual amount	Max daily gov subsidy amount	Total annual budget*
L1 - Basic	\$9.52	\$3,474.80	\$24.07	\$12,260.35
L2 - Low	\$10.07	\$3,675.55	\$42.35	\$19,133.30
L3 - Intermediate	\$10.35	\$3,777.75	\$92.16	\$37,416.15
L4 - High	\$10.63	\$3,879.95	\$139.70	\$54,870.45

*Includes government subsidy and client contribution

Income-tested fee (ITF)

Assessable income	Maximum ITF
Less than income free threshold	Nil
Above income free threshold but less than upper income threshold	(Assessable income – income free threshold) x 50% but capped at: \$15.24 per day, or Annual cap \$5,550.90
Above upper income threshold	\$5,550.90 + (Assessable income – upper income threshold) x 50% but capped at: \$30.49 per day, or Annual cap \$11,101.81

Income thresholds for home care ITF

	Income free threshold:	Upper income threshold:
Single	\$27,463.80 pa	\$53,060.80 pa
Couple (illness-separated)	\$26,943.80 pa	\$52,540.80 pa
Couple (living together)	\$21,294.00 pa	\$40,586.00 pa

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