

# AGED CARE GENERATOR -

## Elizabeth – single person into residential care

Client name: Elizabeth  
 Adviser: Louise Biti  
 Aged Care Steps  
 Date: 03 February 2020

Rates and thresholds are current to 19 March 2020.

### Assets

You have provided details of Elizabeth's current assets as:

Asset	Elizabeth \$
Home*	830,000
Lifestyle assets	10,000
Bank account - cash	60,000
Shares	900,000
<b>Total</b>	<b>1,800,000</b>

\* After Elizabeth moves into care, there will not be anyone who meets the definition of a 'protected person' living in your home. This means the home is assessed at up to the capped value of \$169,079 when determining your aged care fees. For Centrelink, the home is exempt for two years after her permanent entry date unless sold earlier. At the end of two years, you will become a non-homeowner with the home becoming an assessable asset when determining age pension benefits.

\* If the home is sold you estimate the net proceeds (after selling costs) to be approximately \$830,000.

\* If the home is rented you estimate gross rent (before agent's fees and other expenses) to be \$480 per week for 52 weeks per annum (or \$25,000 per annum).

### Income

Elizabeth's current income position (per annum) is shown below:

Income source	Elizabeth \$
Interest - bank account (1%)	600
Dividends (4%)	36,000
<b>Total</b>	<b>36,600</b>

### Expenses

You have estimated a need to pay the following personal expenses in addition to aged care fees:

- Living expenses of \$5,000 per annum.
- Home maintenance expenses of \$5,000 per annum.

### ***Your starting cashflow***

This analysis provides an estimate of the client's cashflow position when they first move into care based on current financial situation (before strategy options have been implemented).

<b>Income (per annum)</b>	<b>\$</b>
Interest	600
Dividends	36,000
Refunded franking credits	3,877
<b>Total cashflow</b>	<b>40,477</b>
<b>Aged care fees (per annum)</b>	
Basic daily fee	18,845
Means-tested care fee	17,206
DAP (on \$750K accommodation payment)	36,825
<b>Total aged care fees</b>	<b>72,876</b>
Lifestyle expenses	5,000
Home expenses	5,000
<b>Total other expenses</b>	<b>10,000</b>
<b>Total expenses</b>	<b>82,876</b>
<b>Cashflow position</b>	<b>(42,399)</b>

### ***Assumptions for the options***

The results in each option will depend on several variables. The assumptions used to compare these options are listed below. The actual results may vary if actual figures vary from the assumptions.

- The home is assumed to have a growth rate of 2.50% per annum. The value of the home will become assessable under the Centrelink assets test in 2 years-time when determining age pension benefits. At this time the non-homeowner asset test thresholds will apply.
- Lifestyle assets are not indexed.
- Lifestyle expenses and aged care rates/thresholds are indexed at 2.50% per annum.
- Cash investments are assumed to earn 1.00% per annum.
- Australian shares are assumed to earn 4.00% per annum with a franking level of 75.00% and a growth rate of 2.50% per annum.
- Rental income and expenses from the home is indexed at 2.50% per annum.
- Basic daily care fee and income thresholds are indexed at 2.50% per annum.
- Centrelink thresholds are indexed at 2.50% per annum.
- The estimated age pension benefits are based on your proposed levels of assessable income and assets and the single age pension rate which is currently a maximum of \$933.40 per fortnight (including the minimum pension supplement and energy supplement).
- Deeming rates of 1.00% on the first \$51,800 of financial investments and 3.00% on the balance have been used. Thresholds are indexed at 2.50% per annum.
- Tax, seniors and low-income tax offset amounts and thresholds are not indexed. Tax rates and thresholds are current to 30 June 2020.
- All aged care rates and thresholds are current to 19 March 2020.

The figures in the table below show the estimated outcomes for the first 12 months after all options have been implemented fully. The results in subsequent years will alter due to indexation of rates and thresholds, the change in investment values and interest rate changes. Five-year projections are shown in the graphs below.

### Results for each option

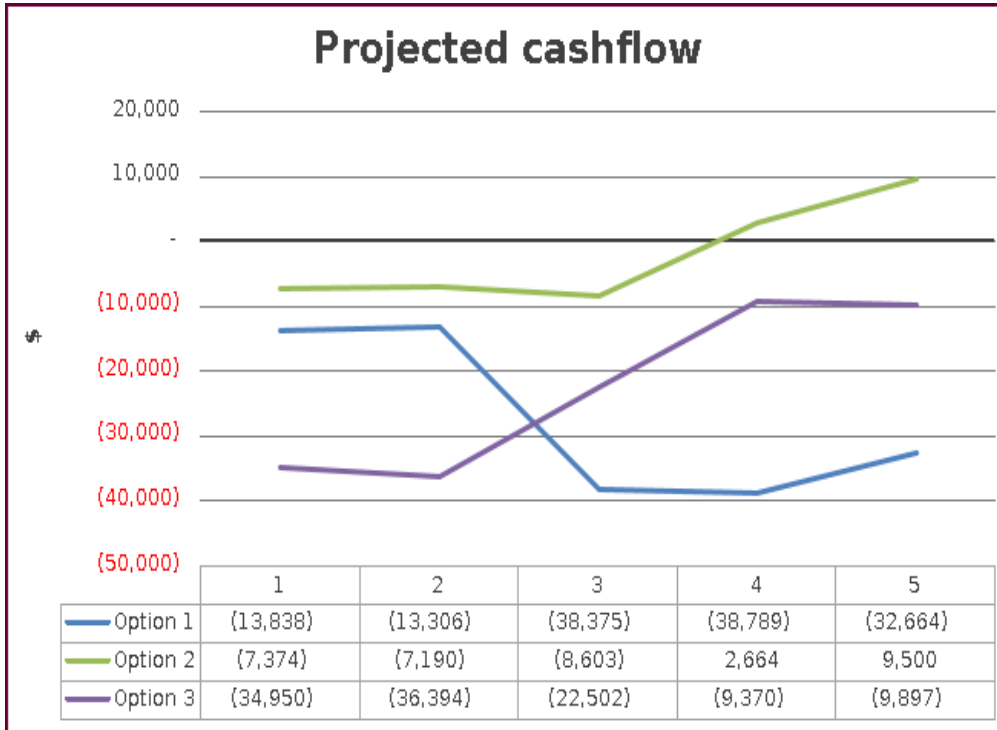
	<b>Option1</b>	<b>Option 2</b>	<b>Option 3</b>
	<b>Home not rented</b>	<b>Rent home</b>	<b>Sell home</b>
<b>Assets</b>			
Home	830,000	830,000	-
Lifestyle assets	10,000	10,000	10,000
Refundable RAD	750,000	750,000	750,000
Cash	60,000	60,000	890,000
Shares	150,000	150,000	150,000
<b>Total assets</b>	<b>1,800,000</b>	<b>1,800,000</b>	<b>1,800,000</b>
<b>Centrelink</b>			
<b>Financial investments</b>	<b>210,000</b>	<b>210,000</b>	<b>1,040,000</b>
Deemed income	5,264	5,264	30,164
Rental income	-	25,000	-
<b>Assessable income</b>	<b>5,264</b>	<b>30,264</b>	<b>30,164</b>
<b>Assessable assets</b>	<b>220,000</b>	<b>220,000</b>	<b>1,050,000</b>
<b>Cashflow (per annum)</b>			
Interest	600	600	8,900
Dividends	6,000	6,000	6,000
Rental income	-	25,000	-
Centrelink age pension	23,898	11,398	-
Refunded franking credits	1,750	-	1,750
<b>Total cashflow</b>	<b>32,248</b>	<b>42,998</b>	<b>16,650</b>
<b>Aged care fees (per annum)</b>			
Basic daily fee	18,845	18,845	18,845
Means-tested care fee*	17,241	23,508	27,755
DAP	-	-	-
<b>Total aged care fees</b>	<b>36,086</b>	<b>42,353</b>	<b>46,600</b>
<b>Other expenses (per annum)</b>			
Lifestyle expenses	5,000	5,000	5,000
Home / rental expenses	5,000	-	-
Tax (including Medicare)	-	3,019	-
<b>Total other expenses</b>	<b>10,000</b>	<b>8,019</b>	<b>5,000</b>
<b>Total expenses</b>	<b>46,086</b>	<b>50,372</b>	<b>51,600</b>
<b>Cashflow position</b>	<b>(13,838)</b>	<b>(7,374)</b>	<b>(34,950)</b>
<b>Projected net assets</b>	<b>1,810,662</b>	<b>1,817,126</b>	<b>1,768,800</b>

\* Your daily means-tested care fee is:

- Option 1 - \$47.23 per day
- Option 2 - \$64.40 per day
- Option 3 - \$86.75 per day

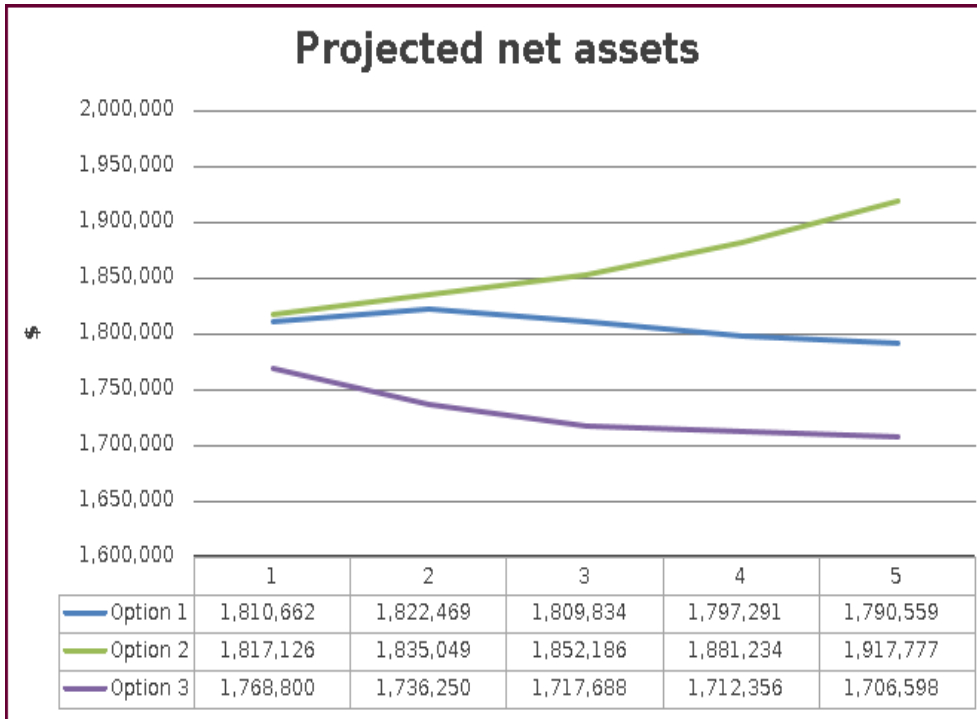
### How your cashflow is impacted over time

The following graph compares the projected cashflow outcomes for each option over a five-year period. Any surplus cashflow is invested into cash, whereas any cashflow shortfall is first funded from cash, then shares, as needed.



### How your assets grow

The following graph compares the potential impact on your projected assets for each option at the end of each projection year over a five-year period.



**Projections: Option 1 - Home not rented**

<b>Assets – balance at end of year</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>
Home	850,750	872,019	893,819	916,165	939,069
Lifestyle assets	10,000	10,000	10,000	10,000	10,000
Refundable RAD	750,000	750,000	750,000	750,000	750,000
Cash	46,162	32,856	-	-	-
Shares	153,750	157,594	156,015	121,126	91,490
<b>Total assets</b>	<b>1,810,662</b>	<b>1,822,469</b>	<b>1,809,834</b>	<b>1,797,291</b>	<b>1,790,559</b>

<b>Cashflow</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>
<b>Cashflow (per annum)</b>					
Interest	600	462	329	-	-
Dividends	6,000	6,150	6,304	6,241	4,845
Centrelink benefits	23,898	24,726	-	-	-
Refunded franking credits	1,750	1,794	1,839	1,820	1,413
<b>Total cashflow</b>	<b>32,248</b>	<b>33,132</b>	<b>8,472</b>	<b>8,061</b>	<b>6,258</b>
<b>Aged care fees (per annum)</b>					
Basic daily fee	18,845	19,316	19,799	20,294	20,801
Means-tested care fee	17,241	16,872	16,542	15,788	7,083
<b>Total aged care fees</b>	<b>36,086</b>	<b>36,188</b>	<b>36,341</b>	<b>36,082</b>	<b>27,884</b>
<b>Other expenses (per annum)</b>					
Lifestyle expenses	5,000	5,125	5,253	5,384	5,519
Home expenses	5,000	5,125	5,253	5,384	5,519
Tax (including Medicare)	-	-	-	-	-
<b>Total other expenses</b>	<b>10,000</b>	<b>10,250</b>	<b>10,506</b>	<b>10,768</b>	<b>11,038</b>
<b>Total expenses</b>	<b>46,086</b>	<b>46,438</b>	<b>46,847</b>	<b>46,850</b>	<b>38,922</b>
<b>Cashflow position</b>	<b>(13,838)</b>	<b>(13,306)</b>	<b>(38,375)</b>	<b>(38,789)</b>	<b>(32,664)</b>

Centrelink / DVA age pension	Year 1	Year 2	Year 3	Year 4	Year 5
<b>Assets test</b>					
Investment assets	210,000	199,912	190,449	156,014	121,125
Lifestyle assets	10,000	10,000	882,018	903,819	926,164
<b>Total assets</b>	<b>220,000</b>	<b>209,912</b>	<b>1,072,468</b>	<b>1,059,833</b>	<b>1,047,290</b>
Asset test – lower threshold	263,250	269,831	497,733	510,176	522,931
Asset test – upper threshold	574,500	588,862	824,740	845,359	866,493
<b>Pension payable under assets test</b>	<b>24,268</b>	<b>24,875</b>	-	-	-
<b>Income test</b>					
<b>Financial investments</b>	210,000	199,912	190,449	156,014	121,125
Deemed income	5,264	4,935	4,625	3,564	2,490
Rental income	-	-	-	-	-
Income streams (deductible rules)	-	-	-	-	-
Other	-	-	-	-	-
<b>Total income</b>	<b>5,264</b>	<b>4,935</b>	<b>4,625</b>	<b>3,564</b>	<b>2,490</b>
Income test – lower threshold	4,524	4,637	4,753	4,871	4,993
Income test – higher threshold	53,060	54,387	55,747	57,140	58,569
<b>Pension payable under income test</b>	<b>23,898</b>	<b>24,725</b>	<b>25,496</b>	<b>26,134</b>	<b>26,787</b>
<b>Payment received</b>	<b>23,898</b>	<b>24,726</b>	-	-	-

<b>Tax – Client 1</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>
<b>Assessable income</b>					
Bank interest	600	461	328	-	-
Dividends	6,000	6,150	6,303	6,240	4,845
Franking credits	1,750	1,793	1,838	1,820	1,413
Centrelink / DVA	22,361	23,160	-	-	-
Capital gains	-	-	-	551	3,878
<b>Total assessable income</b>	<b>30,711</b>	<b>31,565</b>	<b>8,470</b>	<b>8,612</b>	<b>10,137</b>
<b>Total deductions</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Taxable income</b>	<b>30,711</b>	<b>31,565</b>	<b>8,470</b>	<b>8,612</b>	<b>10,137</b>
<b>Tax payable before offsets</b>	<b>2,377</b>	<b>2,539</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Less offsets</b>					
Low income	445	445	-	-	-
Middle income	200	200	200	200	200
SAPTO	2,230	2,230	-	-	-
Medical expenses	-	-	-	-	-
Franking credits	1,750	1,793	1,838	1,820	1,413
<b>Total offsets</b>	<b>4,625</b>	<b>4,668</b>	<b>2,038</b>	<b>2,020</b>	<b>1,613</b>
<b>Tax payable after offsets</b>	<b>(1,750)</b>	<b>(1,793)</b>	<b>(1,838)</b>	<b>(1,820)</b>	<b>(1,413)</b>
Medicare levy	-	-	-	-	-
Medicare surcharge	-	-	-	-	-
<b>Total tax payable</b>	<b>(1,750)</b>	<b>(1,793)</b>	<b>(1,838)</b>	<b>(1,820)</b>	<b>(1,413)</b>



**Projections: Option 2 - Rent home**

<b>Assets – balance at end of year</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>
Home	850,750	872,019	893,819	916,165	939,069
Lifestyle assets	10,000	10,000	10,000	10,000	10,000
Refundable RAD	750,000	750,000	750,000	750,000	750,000
Cash	52,626	45,436	36,833	39,497	48,997
Shares	153,750	157,594	161,534	165,572	169,711
<b>Total assets</b>	<b>1,817,126</b>	<b>1,835,049</b>	<b>1,852,186</b>	<b>1,881,234</b>	<b>1,917,777</b>

<b>Cashflow</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>
<b>Cashflow (per annum)</b>					
Interest	600	526	454	368	395
Dividends	6,000	6,150	6,304	6,461	6,623
Rental income	25,000	25,625	26,266	26,922	27,595
Centrelink benefits	11,398	11,816	-	-	-
Refunded franking credits	-	-	1,429	1,337	1,207
<b>Total cashflow</b>	<b>42,998</b>	<b>44,117</b>	<b>34,453</b>	<b>35,088</b>	<b>35,820</b>
<b>Aged care fees (per annum)</b>					
Basic daily fee	18,845	19,316	19,799	20,294	20,801
Means-tested care fee	23,508	23,474	18,004	6,746	-
<b>Total aged care fees</b>	<b>42,353</b>	<b>42,790</b>	<b>37,803</b>	<b>27,040</b>	<b>20,801</b>
<b>Other expenses (per annum)</b>					
Lifestyle expenses	5,000	5,125	5,253	5,384	5,519
Tax (including Medicare)	3,019	3,392	-	-	-
<b>Total other expenses</b>	<b>8,019</b>	<b>8,517</b>	<b>5,253</b>	<b>5,384</b>	<b>5,519</b>
<b>Total expenses</b>	<b>50,372</b>	<b>51,307</b>	<b>43,056</b>	<b>32,424</b>	<b>26,320</b>
<b>Cashflow position</b>	<b>(7,374)</b>	<b>(7,190)</b>	<b>(8,603)</b>	<b>2,664</b>	<b>9,500</b>

Centrelink / DVA age pension	Year 1	Year 2	Year 3	Year 4	Year 5
<b>Assets test</b>					
Investment assets	210,000	206,376	203,029	198,366	205,068
Lifestyle assets	10,000	10,000	882,018	903,819	926,164
<b>Total assets</b>	<b>220,000</b>	<b>216,376</b>	<b>1,085,048</b>	<b>1,102,185</b>	<b>1,131,233</b>
Asset test – lower threshold	263,250	269,831	497,733	510,176	522,931
Asset test – upper threshold	574,500	588,862	824,740	845,359	866,493
<b>Pension payable under assets test</b>	<b>24,268</b>	<b>24,875</b>	-	-	-
<b>Income test</b>					
<b>Financial investments</b>	210,000	206,376	203,029	198,366	205,068
Deemed income	5,264	5,129	5,002	4,835	5,008
Rental income	25,000	25,624	26,265	26,922	27,595
Income streams (deductible rules)	-	-	-	-	-
Other	-	-	-	-	-
<b>Total income</b>	<b>30,264</b>	<b>30,754</b>	<b>31,268</b>	<b>31,757</b>	<b>32,603</b>
Income test – lower threshold	4,524	4,637	4,753	4,871	4,993
Income test – higher threshold	53,060	54,387	55,747	57,140	58,569
<b>Pension payable under income test</b>	<b>11,398</b>	<b>11,816</b>	<b>12,239</b>	<b>12,691</b>	<b>12,982</b>
<b>Payment received</b>	<b>11,398</b>	<b>11,816</b>	-	-	-

<b>Tax – Client 1</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>
<b>Assessable income</b>					
Bank interest	600	526	454	368	394
Dividends	6,000	6,150	6,303	6,461	6,622
Franking credits	1,750	1,793	1,838	1,884	1,931
Rental income - home	25,000	25,624	26,265	26,922	27,595
Centrelink / DVA	9,861	10,250	-	-	-
<b>Total assessable income</b>	<b>43,211</b>	<b>44,345</b>	<b>34,862</b>	<b>35,636</b>	<b>36,544</b>
<b>Total deductions</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Taxable income</b>	<b>43,211</b>	<b>44,345</b>	<b>34,862</b>	<b>35,636</b>	<b>36,544</b>
<b>Tax payable before offsets</b>	<b>5,590</b>	<b>5,959</b>	<b>3,165</b>	<b>3,312</b>	<b>3,485</b>
<b>Less offsets</b>					
Low income	351	334	445	445	445
Middle income	386	420	200	200	200
SAPTO	863	822	2,111	2,120	2,115
Medical expenses	-	-	-	-	-
Franking credits	1,750	1,793	1,838	1,884	1,931
<b>Total offsets</b>	<b>3,351</b>	<b>3,371</b>	<b>4,594</b>	<b>4,650</b>	<b>4,692</b>
<b>Tax payable after offsets</b>	<b>2,239</b>	<b>2,587</b>	<b>(1,429)</b>	<b>(1,337)</b>	<b>(1,206)</b>
Medicare levy	779	804	-	-	-
Medicare surcharge	-	-	-	-	-
<b>Total tax payable</b>	<b>3,018</b>	<b>3,392</b>	<b>(1,429)</b>	<b>(1,337)</b>	<b>(1,206)</b>

**Projections: Option 3 - Sell home**

<b>Assets – balance at end of year</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>
Lifestyle assets	10,000	10,000	10,000	10,000	10,000
Refundable RAD	750,000	750,000	750,000	750,000	750,000
Cash	855,050	818,656	796,154	786,784	776,887
Shares	153,750	157,594	161,534	165,572	169,711
<b>Total assets</b>	<b>1,768,800</b>	<b>1,736,250</b>	<b>1,717,688</b>	<b>1,712,356</b>	<b>1,706,598</b>

<b>Cashflow</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>
<b>Cashflow (per annum)</b>					
Interest	8,900	8,551	8,187	7,962	7,868
Dividends	6,000	6,150	6,304	6,461	6,623
Centrelink benefits	-	-	-	-	-
Refunded franking credits	1,750	1,794	1,839	1,885	1,932
<b>Total cashflow</b>	<b>16,650</b>	<b>16,495</b>	<b>16,330</b>	<b>16,308</b>	<b>16,423</b>
<b>Aged care fees (per annum)</b>					
Basic daily fee	18,845	19,316	19,799	20,294	20,801
Means-tested care fee	27,755	28,448	13,780	-	-
<b>Total aged care fees</b>	<b>46,600</b>	<b>47,764</b>	<b>33,579</b>	<b>20,294</b>	<b>20,801</b>
<b>Other expenses (per annum)</b>					
Lifestyle expenses	5,000	5,125	5,253	5,384	5,519
Tax (including Medicare)	-	-	-	-	-
<b>Total other expenses</b>	<b>5,000</b>	<b>5,125</b>	<b>5,253</b>	<b>5,384</b>	<b>5,519</b>
<b>Total expenses</b>	<b>51,600</b>	<b>52,889</b>	<b>38,832</b>	<b>25,678</b>	<b>26,320</b>
<b>Cashflow position</b>	<b>(34,950)</b>	<b>(36,394)</b>	<b>(22,502)</b>	<b>(9,370)</b>	<b>(9,897)</b>

Centrelink / DVA age pension	Year 1	Year 2	Year 3	Year 4	Year 5
<b>Assets test</b>					
Investment assets	1,040,000	1,008,800	976,249	957,687	952,355
Lifestyle assets	10,000	10,000	10,000	10,000	10,000
<b>Total assets</b>	<b>1,050,000</b>	<b>1,018,800</b>	<b>986,249</b>	<b>967,687</b>	<b>962,355</b>
Asset test – lower threshold	473,750	485,593	497,733	510,176	522,931
Asset test – upper threshold	785,000	804,624	824,740	845,359	866,493
<b>Pension payable under assets test</b>	-	-	-	-	-
<b>Income test</b>					
<b>Financial investments</b>	1,040,000	1,008,800	976,249	957,687	952,355
Deemed income	30,164	29,202	28,199	27,614	27,427
Rental income	-	-	-	-	-
Income streams (deductible rules)	-	-	-	-	-
Other	-	-	-	-	-
<b>Total income</b>	<b>30,164</b>	<b>29,202</b>	<b>28,199</b>	<b>27,614</b>	<b>27,427</b>
Income test – lower threshold	4,524	4,637	4,753	4,871	4,993
Income test – higher threshold	53,060	54,387	55,747	57,140	58,569
<b>Pension payable under income test</b>	<b>11,448</b>	<b>12,592</b>	<b>13,773</b>	<b>14,762</b>	<b>15,571</b>
<b>Payment received</b>	-	-	-	-	-

<b>Tax – Client 1</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>
<b>Assessable income</b>					
Bank interest	8,900	8,550	8,186	7,961	7,867
Dividends	6,000	6,150	6,303	6,461	6,622
Franking credits	1,750	1,793	1,838	1,884	1,931
Centrelink / DVA	-	-	-	-	-
<b>Total assessable income</b>	<b>16,650</b>	<b>16,494</b>	<b>16,328</b>	<b>16,307</b>	<b>16,422</b>
<b>Total deductions</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Taxable income</b>	<b>16,650</b>	<b>16,494</b>	<b>16,328</b>	<b>16,307</b>	<b>16,422</b>
<b>Tax payable before offsets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Less offsets</b>					
Low income	-	-	-	-	-
Middle income	200	200	200	200	200
SAPTO	-	-	-	-	-
Medical expenses	-	-	-	-	-
Franking credits	1,750	1,793	1,838	1,884	1,931
<b>Total offsets</b>	<b>1,950</b>	<b>1,993</b>	<b>2,038</b>	<b>2,084</b>	<b>2,131</b>
<b>Tax payable after offsets</b>	<b>(1,750)</b>	<b>(1,793)</b>	<b>(1,838)</b>	<b>(1,884)</b>	<b>(1,931)</b>
Medicare levy	-	-	-	-	-
Medicare surcharge	-	-	-	-	-
<b>Total tax payable</b>	<b>(1,750)</b>	<b>(1,793)</b>	<b>(1,838)</b>	<b>(1,884)</b>	<b>(1,931)</b>