

How is your house assessed?

For many people moving into aged care, the home is likely to be the biggest remaining asset.

If you move into aged care, unless a spouse or other family member continues to live in your home you may be faced with a major decision of whether to sell or keep your home.

This is an important decision that needs to be made with consideration to the impact on:

- Age pension entitlements
- Aged care fees
- Capital gains tax
- Inheritance plans
- The cost of renovations and/or maintenance
- Your personal preferences.

The government previously provided concessions on the assessment of the home for both assets and income testing but these concessions have been gradually removed, with further changes impacting age pension entitlements from 1 January 2017.

If you keep your former home, how it is assessed will depend on which year you moved into permanent residential care and whether you are looking at the impact on fees or Centrelink/Veterans' Affairs (DVA) benefits. This is summarised in the table below.

Date enter residential care	Impact for MTA (care fees)	Impact on Centrelink/DVA benefits
1 July 2014 to 31 Dec 2015	<p>Asset – exempt if a protected person lives there. Otherwise capped value (currently \$159,631.20)</p> <p>Rent – exempt if paying some DAP</p>	<p>Asset – exempt while spouse lives there. Otherwise exempt up to two years or while rented and some DAP paid</p> <p>Rent – exempt if paying some DAP</p>
1 Jan 2016 to 31 Dec 2016	<p>Asset – exempt if a protected person lives there. Otherwise capped value (currently \$159,631.20)</p> <p>Rent – assessable</p>	<p>Asset – exempt while spouse lives there. Otherwise exempt up to two years or while rented and some DAP paid</p> <p>Rent – exempt if paying some DAP</p>
1 Jan 2017 onwards	<p>Asset – exempt if a protected person lives there. Otherwise capped value (currently \$159,631.20)</p> <p>Rent – assessable</p>	<p>Asset - exempt up to two years</p> <p>Rent - assessable</p>

Note: DAP is the daily accommodation payment for aged care accommodation
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Example 1:

Alice moves into residential aged care in October 2016. Her husband Archie continues to live in their home. The home is an exempt asset when calculating aged care fees (using the means-tested amount – MTA). For age pension purposes Alice and Archie continue to be assessed as homeowners and the home is an exempt asset.

Example 2:

Myra is single and lived alone before she moved into residential aged care in October 2016. She agreed to pay an accommodation payment of \$350,000 and chose to pay \$300,000 as a refundable accommodation deposit (RAD). The remaining \$50,000 was converted into a daily accommodation payment – DAP. She rented out her former home.

For age pension purposes Myra remains a homeowner and her home is an exempt asset. This will change if she no longer rents her home or she pays the rest of the accommodation payment as a RAD or she sells the home. Her rental income is not assessed.

When calculating her aged care fees and the level of government subsidies, her home is assessed at the capped value of \$159,631.20 and the rental income (after allowable deductions) is assessable.

Example 3:

If Myra moves into care in February 2017, for age pension purposes she will only remain a homeowner for up to two years (or until home is sold) and the rental income (less allowable deductions) is assessable income.

When calculating her aged care fees and the level of government subsidies, her home is assessed at the capped value of \$159,631.20 and the rental income (after allowable deductions) is assessable.



Tip:

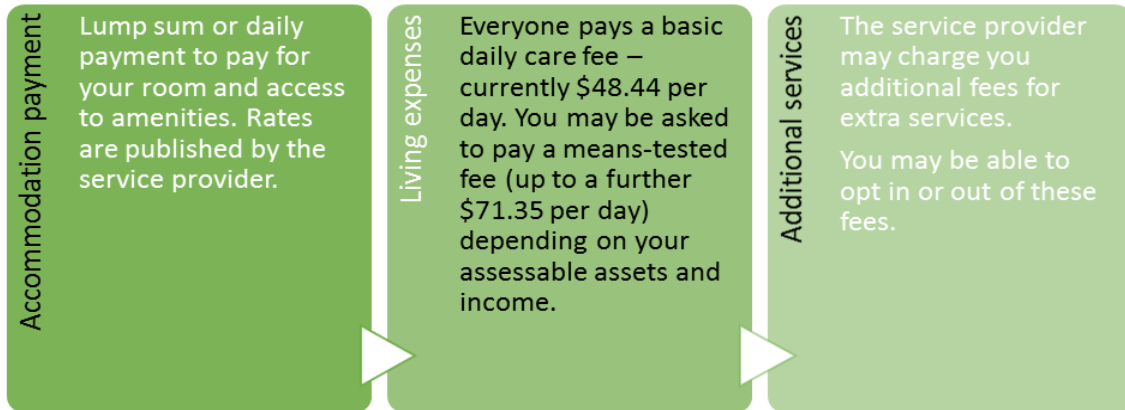
These are complex decisions and are not based on just financial outcomes. Financial advice can help you to make fully informed decisions and provides the opportunity to compare the impacts.

Call us today to make an appointment to discuss options for you and/or your family.

Additional fees in residential aged care

If you are moving into residential aged care you will be asked to contribute towards your accommodation as well as the cost of your care.

Fees are split into three categories of expenses:



Note: rates are current to 19 March 2017


Over the last 18 months, more and more providers are charging additional services fees and in many cases these are set as non-optional daily fees.

These fees have caused confusion around what you can be charged for and what should already be covered under the fees paid for living expenses especially where providers are charging “asset replacement” or “capital refurbishment” fees.

The Department of Health has recently issued guidelines to provide clarification. These guidelines state the care providers can only charge additional services fees if:

- The resident elects to pay the fees
- The resident receives the direct benefit of the services provided under the fee, and
- The service provider is not already compelled under the Aged Care Act to provide the services for which they are trying to charge an additional fee.

If you or a family member are offered a place in residential aged care read the Resident Agreement carefully to check what fees apply, what the fees pay for and whether they are optional. You may wish to ask the provider for clarification.

	<p>Further help</p> <p>If you believe that any fees are being inappropriately charged you may wish to contact the Aged Care Complaints Commission on 1800 200422.</p> <p>Contact us today to discuss the fees you may be asked to pay and how to structure your finances to manage cashflow.</p>
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Communicating with a person with dementia

As we age the chance of developing dementia increases – with over half of aged care residents experiencing levels of cognitive impairment.

Communicating with someone who has dementia can be challenging as the person not only loses memory but also their ability to organise or express thoughts. This can be distressing for the family as well as the person who has dementia.

Alzheimer's Australia highlight three approaches that might help with more effective communication:

- Validation therapy – if a person is living in the past, rather than trying to correct the person's beliefs you may acknowledge and empathise with the person's feelings behind the behaviour being expressed. This enables the person's dignity to be maintained and may reduce anxiety.
- Music therapy – music can be effective method to unlock memories and feelings. It is often used by therapists to address complex behaviours.
- Reminiscence – reflecting on a person's past can provide a sense of peace and happiness but can also stir up sad memories. Creating a "This is Your Life" book for the person with photos, letters, certificates or other memorabilia (all well labelled) may help with reminiscing and may provide families and friends with a practical tool for interaction.



Further information

Visit the Alzheimer's Australia website at www.fightdementia.org.au for more details and tips.

Quick facts

In 2015/16 ...

- The Commonwealth Government spent \$16.2 billion on aged care services
- The government paid an average of \$63,400 in subsidies for each person in residential aged care
- Over 350,000 people were employed in the aged care sector
- Over 1.3 million older people accessed care services
- The average refundable accommodation payment (RAD) was \$377,000.

Source: 2015-16 Report on the Operation of the Aged Care Act 1997, Department of Health.

Please contact our Aged Care specialists if you need advice.



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