



WA
Aged Care
Financial Solutions



Summer 2024

Welcome to summer and, for many, an active season with last-minute tasks and celebrations with family and friends. We take this opportunity to wish you and your family a joy-filled and safe festive season!

The long-awaited changes to Aged Care fees and charges finally got through parliament on 25 November 2024, and will soon be in place. That said, it should be noted that permanent residents in Aged Care prior to implementation of the changes will benefit from grandparenting arrangements and be exempt from the changes.

Whilst from 1 January 2025 the most common Refundable Accommodation Deposit is likely to increase from \$550,000 to \$750,000, the main changes will come into place on 1 July 2025.

From 1 July 2025, 2% per annum will be withheld from the Refundable Accommodation Deposit for a period of up to 5 years and any Daily Accommodation Payments made will be indexed in line with CPI. Whilst the Basic Daily Fee, currently \$63.57 per day, will continue to be payable by all residents, a means tested increment of \$12.55 per day will apply. Further, the co-contribution to care caps will increase from \$34,174 per annum to \$36,923 per annum, and the lifetime cap will increase from \$82,018 to \$130,000.

As always, just be in touch with either Tricia or myself should you like assistance.

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To sell or not to sell is the question for moving into aged care



Moving into residential aged care can trigger a range of emotions, particularly if it involves the sale of the family home.

What is often a major financial asset, is also one that many people believe should be either kept in the family or its value preserved for future generations.

Whether or not the home has to be sold to pay for aged care depends on a number of factors, including who is living in it and what other financial resources or options are available to cover the potential cost of care.

It also makes a difference if the person moving into care receives Centrelink or Department of Veterans Affairs payments.

Cost of care

Centrelink determines the cost of aged care based on a person's income and assets.ⁱ

For aged care cost purposes, the home is exempt from the cost of care calculation if a "protected person" is living in it when you move into care.

A protected person could be a spouse (including de facto); a dependent child or student; a close relative who has lived with the aged care resident for at least five years and who is entitled to Centrelink income support; or a residential carer who has lived with the aged care resident for at least two years and is eligible for Centrelink income support.ⁱⁱ

Capped home value

If the home is not exempt, the value of the home is capped at the current indexed rate of \$201,231.ⁱⁱⁱ

If you have assets above \$201,231 – outside of the family home – then Centrelink would determine you pay the advertised Refundable Accommodation Deposit (RAD) or equivalent daily interest rate known as the Daily Accommodation Payment (DAP), or a combination of both.

The average RAD is about \$450,000. Based on the current interest rate of 8.36% [note – this is the rate from July 1] the equivalent DAP would be \$103.07 a day.

Depending on your total income and assets, you may also be required to pay a daily means tested care fee. This fee has an indexed annual cap of \$33,309 and lifetime cap of \$79,942.

This is in addition to the basic daily fee of \$61.96 and potentially an additional or extra service fee.

There is no requirement to sell the home to pay these potentially substantial costs, but if it is a major asset that is going to be left empty, it may make sense.

Other options to cover the costs may include using income or assets such as superannuation, renting the home (although this pushes up the means tested care fee and can reduce the age pension) or asking family to cover the costs.

Centrelink rules

For someone receiving Centrelink or DVA benefits, there is an important two-year rule.

The home is exempt for pension purposes if occupied by a spouse, otherwise it is exempt for up to two years or until sold.

If you are the last person living in the house and you move into aged care and still have your home after two years, its full value will be counted towards the age pension calculation. It can mean the loss of the pension.

Importantly, money paid towards the RAD, including the proceeds from a house, is exempt for age pension purposes.

Refundable Deposit

As the name suggests, the RAD is fully refundable when a person leaves aged care. If a house is sold to pay a RAD, then the full amount will ultimately be paid to the estate and distributed according to the person's Will.

The decisions around whether to sell a home to pay for aged care are financial and emotional.

It's important to understand all the implications before you make a decision.

Please call us to explore your options.

ⁱ <https://www.myagedcare.gov.au/understanding-aged-care-home-accommodation-costs>

^{ii,iii} <https://www.myagedcare.gov.au/income-and-means-assessments>



Gifts for future generations

At this time of year, when giving is particularly on our minds, some might turn their attention to how best share their wealth or an unexpected windfall with their loved ones.

You might be thinking about handing over a lump sum to help them with a major purchase or business opportunity, or be keen to help reduce or extinguish their student loans. Alternatively, it might be about helping to solve a housing problem.

Whatever the reason there are some rules that it is worth being aware of to ensure both you and they are protected.

Giving a cash gift

You can give anyone, family or not, a gift of cash for any amount and, as long as you don't materially benefit from the gift or expect anything in return, no tax is paid on the amount by either you or the receiver.ⁱ

The same applies if you're planning to pay out your child's student loans.

However, be aware that if the beneficiary of your cash gift is receiving a government benefit, such as an unemployment benefit or a student allowance, there is a limit on the size of the gift they can receive without it affecting their payments.

They may receive up to \$10,000 in one financial year or \$30,000 over five financial years (which can not include more than \$10,000 in one financial year).ⁱⁱ

Helping out with housing

Many parents also like to help their children get into the property market, where possible.

It's been a difficult time for many in the past few years in dealing with the COVID-19

pandemic, the rising cost of living and interest rates, and a housing crisis.

A Productivity Commission report released this year found that while most people born between 1976 and 1982 earn more than their parents did at a similar age, income growth is slower for those born after 1990.ⁱⁱⁱ

With money tight and house prices climbing, three in five renters don't believe they will ever own a home even though most (78 per cent) want to be homeowners, according to data collected by the Australian Housing and Urban Research Institute (AHURI).^{iv}

Just over half of those surveyed (52 per cent) were renting because they didn't have enough for a home deposit and 42 per cent said they couldn't afford to buy anything appropriate, the AHURI survey found.

So, in this climate, help from parents to buy a home isn't just a nice-to-have, it's becoming a necessity for many.

Moving home

Allowing your adult child, perhaps with a partner and family, to share the family home rent-free is a common option, giving them the chance to save up for a deposit.

One Australian survey found that one-in-10 people had moved back in with their parents either to save money or because they could no longer afford to rent.^v

If it gets too much living under the same roof, building a granny flat in your backyard may be an option. Of course

there are council regulations to consider, permits to be obtained and the cost of building or buying a kit but on the upside, it may add value to your home.

Becoming a guarantor

Another way to help might be to become a guarantor on your child's mortgage. This might be the best way into a mortgage for many but before you sign, think it through carefully, understand the loan contract and know the risks.^{vi}

Don't forget that, as guarantor, you're responsible for the debt. You will have to step in and repay if the borrower can't afford to repay, and the loan will be listed as a default on your own credit report.

Any sign that you are being pressured to be a guarantor on a loan may be a sign of financial abuse. There are a number of avenues for advice and support if you're concerned.

It's vital that you obtain independent legal advice before signing any loan documents.

If you would like more information about how to provide meaningful financial support to your children, we'd be happy to help.

i <https://community.ato.gov.au/s/article/a079s000009GnFAAU/tax-on-gifts-and-inheritances>

ii <https://www.servicesaustralia.gov.au/how-much-you-can-gift?context=22526>

iii <https://www.pc.gov.au/research/completed/fairly-equal-mobility#media-release>

iv <https://www.ahuri.edu.au/analysis/news/rising-proportion-forever-renters-requires-tax-and-policy-re-think>

v <https://www.finder.com.au/news/boomerang-generation-2023>

vi <https://moneysmart.gov.au/loans/going-guarantor-on-a-loan>



SURVIVING THE *silly season*

Ah, Christmas!—the time of year when your bank account shrinks, your social calendar explodes, and your family dynamics resemble a poorly scripted soap opera. As we navigate this festive minefield of shopping, social gatherings, and feasting, it's common to feel a little frazzled.

In fact, research has found that the holiday season is one of the six most stressful life events we go through, in the same category as moving house and divorce.ⁱ

But it does not have to be - before you let the silly season get the better of you, here are some ways to not just survive, but thrive, to make it through the festive chaos and bring in 2025 feeling energised and on track to reaching your goals.

Get organised

Let's face it, the silly season is a whirlwind. Between work parties, family catch-ups, and obligatory gatherings with distant relatives you only see once a year, it's enough to make anyone want to retreat to a deserted island.

However, rather than running off to Bora Bora, if you want to survive the silly season relatively unscathed, planning ahead is a must. With the social calendar filling up quicker than you can say cheers, it becomes easy to overcommit and leave yourself feeling a little stretched. Rather than maintaining a constant schedule of parties and social engagements, why not learn the power of saying 'no'. Choose the events you really want to attend and think about each invitation before you send that RSVP. Remember to allow for some guilt-free 'down time' amongst all the festivities.

Shopping shenanigans

Shopping during the silly season can be akin to a scene from an action movie—chaotic, frenzied, and with a distinct chance of an all-in brawl.

Channel your inner Santa Claus and make a list. And yes, check it twice! A good list keeps you focused and reduces the chances of impulse buys—like that life-sized inflatable Santa that seemed like a good idea at the time. (Spoiler alert: it wasn't.)

Consider shopping online, too. You can sip your coffee in your pyjamas while avoiding the chaos of the shops. Just remember: the delivery cut-off dates are real! Don't be the person frantically searching for gifts at 9 PM on Christmas Eve.

The present predicament

Let's talk presents. It's lovely to give and receive gifts, but when did we all agree that every adult needs a new mug or another pair of socks?

To combat the gift-giving madness, consider doing a Secret Santa among adults. Set a reasonable budget and unleash your creativity. Who doesn't want a mysterious gift that could range from a novelty toilet brush to a box of chocolates?

Navigating the family dynamics

Family gatherings can be a delightful mix of love, laughter, and the occasional argument that would make for great reality TV. You know the drill—everyone has an opinion, and even the Christmas ham can become a hot topic of debate.

Before the big day, set some ground rules. No politics, no discussing that relative's questionable life choices, and absolutely no karaoke unless everyone is fully prepared to participate. If tensions start to rise, a little humour can go a long way. Embrace the absurdity of it all. If Uncle Bob starts arguing about the best way to cook prawns, counter with a story about how Auntie Sheila once tried to deep-fry a turkey—because that's a Christmas classic in its own right.

Don't try to do it all

If you're hosting this year, congratulations! You're officially in charge of managing the chaos. But you don't have to shoulder the entire load.

Encourage those who are coming to bring their 'special' dish. Not only does it lighten your load, but it also allows everyone to show off their culinary skills (or lack thereof). Plus, you might discover that Aunt Margaret's "special" potato salad is actually a hidden gem—just don't ask what's in it.

Survive and thrive

At the end of the day embrace the chaos, lean into the hilarity of when things don't go to plan, don't take it all too seriously and be prepared to step back a little when you need a break from all the festivities.

Here's to a joyful festive season filled with laughter and the wonderful chaos that is Christmas. We'll catch you on the other side. Cheers!

ⁱ <https://www.relationships.org.au/document/december-2016-christmas-stress/>