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# Case Study

Aged Care

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## Aged Care

All too often we procrastinate over financial decisions and panic when the event occurs. This is an all too common scenario for aged care. A move into aged care usually happens in a hurry and with emotional turmoil but planning ahead can help to improve the situation.

Individuals are often faced with making decisions for a parent or other elderly relative. Good quality financial advice is a key element of these decisions. Aged care is a growing issue for many Australians and the correct advice is of critical importance.

The costs for aged care are increasing and with an ageing population we all need to think more carefully about how we will be affected and how to access the help we need. Currently, more than two million people in Australia are aged 70 and over and approximately 45% of these will use aged care services. The cost for Government is estimated to double by 2049/50 as a percentage of our economy (as measured by our Gross Domestic Product - GDP). This will be more money than the Government's budget for defence or education.

Furthermore, aged care reforms that commenced on 1 July 2014 saw aged care fees rise for many new residents as a result of changes to the way fees are calculated.

## Case Study

This is a real life case study of an individual that was referred by her son and daughter that serves as an example of the value of advice in this area.

Margaret is in her 80's. She is no longer able to live independently in her principal residence after her husband passed away late last year. Thus, she arranged to sell the property and move into an Aged Care facility.

She currently has around \$139,000 in the bank and is receiving full Age Pension entitlements. She has just realised net \$790,000 from the sale of her principal residence. The Aged Care facility has asked her to pay a lump sum Refundable Accommodation Deposit (RAD) of \$550,000 which leaves her with a sum of around \$380,000. A RAD is a lump sum paid, or payable, by a resident for entry to residential care. The balance of the RAD (after any agreed deductions have been drawn down) will be refunded to the resident or their estate on termination of the agreement for residential services.

Once in the Aged Care facility, she'll pay a daily care fee of \$47.15 per day. In addition to this, due to his level of assets and income, she'll also pay a Means Tested Fee. The table below details her level of net income per annum. As can be seen, the cost of the daily care fees and the means tested fee far exceeds what she'll receive in Age Pension.

Age Pension	\$15,097.60
Less: Daily Care Fee	\$17,209.75
Less: Means Tested Fee	\$12,956.67
<b>Net Income</b>	<b>-\$15,068.82</b>

Whilst she has \$380,000 in funds to bridge the gap, there's plenty that can be done to reduce the annual net income shortfall. Through the use of a multitude of clever strategies that can be implemented around Aged Care involving the use of a Family Trust, friendly society bonds, gifting and funeral bonds, Margaret's net income can be improved as follows:

Age Pension	\$17,656.60
Less: Daily Care Fee	\$17,209.75
Less: Means Tested Fee	\$9,753.89
<b>Net Income</b>	<b>-\$9,307.04</b>

**This is an improvement of \$5,761.77 p.a. for Margaret, with the benefits extracted from a reduction in the Means Tested Fee and an increased Age Pension entitlement.**

We like to think of ourselves as being experts in this area. We would be only too happy to provide a free initial consultation to anyone who is in such a position that you refer to our firm.

As can be seen in this Case Study, it is important that advice is sought as costly mistakes can be made.

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