



## Aged Care - Tips and Traps

*“ It is estimated that by 2051, more than 25% of the population will be aged over 65<sup>1</sup>, whilst the number of people over 85 is expected to more than quadruple to approximately 1.8 million<sup>2</sup>. ”*

The likelihood that you will have to place a parent or relative into an aged care facility is remarkably high. You could even be considering it as part of your own retirement.

It can be difficult to plan, either financially or emotionally, for the move into an aged care facility. When trying to choose the best care, many practical issues arise and decisions need to be made.

Seeking financial advice during this time can ensure that the decisions that you and your family make will be the right decisions. The following key tips and traps should assist you and give you confidence when facing the aged care challenge.

### Key Tips

- Determine whether you or your parents are eligible to enter into an aged care facility and what level of care will be needed (such as high level care – also known as a nursing home). This is established via assessment by an aged care assessment team.
- Gain an understanding of the aged care fees applicable to your aged care facility and whether you can purchase additional extra services.
- Take into account the impact that entering an aged care facility may have on your or your loved one’s financial situation and age pension entitlements.
- Read the booklet titled “5 steps to Entry into Residential Aged Care” which can be obtained from the Department of Health & Ageing. This booklet mainly focuses on the non-financial matters and issues that need to be considered (for example, what you should consider when choosing a nursing home).

- Ensure that you have sufficient cash-flow to fund the aged care fees and costs (for example ongoing maintenance of the former family home).
- Determine how long parents money will last and create a plan with More4life to improve this.
- Revise your estate plans and important legal documents (such as an enduring power of attorney) that have been granted to your immediate family, close relative or friend.

## Key Traps

- Avoid selling the family home before seeking advice. Paying certain aged care fees and renting out the former home could deliver a better outcome. The overall benefits of not selling may include reduced aged care fees and increased age pension entitlements.
- When retaining and renting the former family home, it is important to consider the income tax impact (as the rental income is assessable for tax purposes), the capital gains implications and whether renovations are required.
- Avoid taking actions that could result in a loss of age pension and increased aged care costs (for example gifting assets outside Centrelink gifting rules).
- Remember to consider the impact that entering an aged care facility might have on your or your loved one's financial estate, to be passed on to the next generation.

Start planning early as part of a retirement planning strategy. This will mean that you can effectively plan for this next phase of life. Most importantly, note that it is essential that you seek advice prior to entering into an aged care facility agreement.

Ensuring that you make the right decision will depend upon a multitude of factors and the decision can be complicated. Speak to us, to ensure that you can make the right financial decisions to optimise your situation and avoid the key traps.

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**General Advice Warning:** This advice may not be suitable to you because it contains general advice that has not been tailored to your personal circumstances. Please seek personal financial advice prior to acting on this information.

**Investment Performance:** Past performance is not a reliable guide to future returns as future returns may differ from and be more or less volatile than past returns.

**Disclosure:** James Walker-Powell is an Authorised Representative of More4Life® Financial Services Pty Ltd ABN 68 126 525 737 trading as More4Life® Financial Services Pty Ltd, registered of ce at Suite 225, 20 Dale St, Brookvale NSW 2100.

<sup>1</sup> Access Economics, 2001. Population Ageing and the Economy, research paper commissioned by the Commonwealth Department of Health and Aged Care, ACT. <sup>2</sup> Treasury's Australia 2050: Future Challenges (2010 Intergenerational Report).