

NAVIGATING THE OPTIONS OF AGED CARE

Successfully transitioning between in-home care services, retirement villages and full-care accommodation is all about making timely, well-informed decisions.



Buying, selling and moving house are among the most stressful times in life. Even more so when you are retired and your health begins to decline, along with your financial assets.

The earlier you can start planning and put money aside before you retire, the easier it is in the long run. The difficulty is that no-one knows how long they will live or what their future healthcare and accommodation needs will be.

To make the most of your retirement assets, it's important to understand your aged care options and what each will cost. Making a false move at this stage of life can be costly.

Retirement villages

Retirement villages are a lifestyle choice for retirees who want to downsize from their family home to a more manageable unit, but continue to live independently. Most villages offer opportunities for social activities and some offer onsite medical support. But beware – village life doesn't always live up to the glossy brochure.

Contracts can be complex – up to 100 pages or more – so seeking professional advice to understand them is highly recommended.

To work out the total cost of village living, you need to take account of ingoing, ongoing and exit fees and charges.

- **Ingoing costs.** Village operators offer three main finance models: outright ownership via freehold or strata title; a lease agreement; or a licence agreement, where the ingoing contribution is treated as a loan to the operator in return for a licence to occupy the unit.
- **Ongoing fees.** Operators also charge weekly, fortnightly or monthly fees to cover the costs of running the village (utilities, maintenance of common areas, staffing costs).
- **Exit fees.** Often a percentage of the ingoing cost or sale price. An example is a deferred management fee where a percentage is charged for each year of residency. For example, a retirement village may retain an amount of up to 40 per cent after 10 years. Depending on the contract, you may or may not share in any capital gain. You may also be asked to contribute towards refurbishment of your unit before it's sold.

It's not uncommon for people to go into a retirement village quite late in life and then need to move to aged care soon after. In such circumstances, a large exit fee may be charged, which reduces the pool of assets otherwise available to fund entry into an aged care facility. When this occurs, it may have been better to consider other options from the outset, such as getting more in-home care or moving straight to aged care.

Retirement villages can, however, be a good stepping stone into full care. They offer enjoyable community-based activities and access to onsite care and general home care services such as cleaning and personal assistance.

Aged care accommodation

If failing health leaves you needing a higher level of care, you may need to move into an aged care facility. Costs will depend on the facility and level of services as well as your Centrelink Income and Assets Assessment, but generally break down into:

- **Basic daily care fee.** This covers costs such as meals, cleaning and laundry. It is set at 85% of the maximum single age pension and for some people will be the only ongoing fee payable. Others pay an additional means-tested fee.
- **Accommodation payment.** You can pay this as a lump sum refundable accommodation deposit (RAD); periodically as a non-refundable daily accommodation payment (DAP); or a combination of the two. The RAD is refunded when you leave, less any agreed deductions. The DAP is calculated as the RAD multiplied by a predetermined interest rate and divided by 365. People with limited means may pay an accommodation contribution rather than an accommodation payment.
- **Fees for additional optional services.** These vary depending on your choice of facility and cover extras such as a higher standard of accommodation, wine with meals and hairdressing.

Decisions about aged care accommodation are best made as part of a broader financial and estate planning process. It's also important to seek legal advice to ensure a valid Will and powers of attorney are in place.

We can help you assess the options available, the rules and investment strategies to consider.