

# Key Steps in Aged Care Planning

A Strategy Paper by Steve Nicholas, Brett Cribb & James Marshall

Moving to residential aged care, or assisting your parents to do so, is always a challenging and emotional time. In particular, many people are unaware of the complexity of financial options that need to be considered and decided upon in relation to aged care planning. Timely and appropriate planning and advice will be important to help you navigate this unfamiliar territory and, importantly, prevent unexpected financial consequences.

**If you are considering your aged care options, or perhaps assisting an ageing relative or friend, please find some of the steps that may be needed for transitioning to aged care accommodation.**

1. Identify the personal and financial details of the current position including the level of income and estimated annual ongoing lifestyle expenses.
2. Review current entitlement to social security as well as entitlement in changed circumstances.
3. Assess the scenarios and respective consequences of (a) selling the principal residence and using the proceeds towards a Residential Accommodation Deposit (RAD) (see Note 1) and investing the balance or (b) retaining the principal residence and renting.
4. Identify appropriate care accommodation centres and assist with applications.
5. Consider structuring current investments to provide cash for (a) an initial RAD deposit, (b) rental-type payments until the current residence is sold, and (c) the final (balance of) RAD payment that is due subsequent to the sale of the residence.
6. Obtain a 'pro forma' copy and review the residential accommodation agreement (see Note 2) which will necessarily be signed at the time of entry.
7. Collect the required information and prepare the Centrelink form for Assets and Income assessment for the means-tested care fee, as well as obtain the supporting documents.
8. Calculate care costs including: (a) how the RAD should be paid, (b) whether to pay a daily accommodation payment (DAP) (see Note 3), (c) the basic daily care fee, (d) the mean-tested care fee, as well as any additional services fee.
9. Consider the placement of some monies into a tax, pension and means-tested care fee efficient investment commonly known as a Funeral Bond.

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10. Consider the placement of some monies into a tax, pension and means-tested care fee efficient investment known as an Annuity option.
11. Consider the value of setting up a Trust and transferring and investing monies in the name of the Trust into an Insurance Bond in order to improve entitlements and reduce care fees.
12. Review and ensure Wills are up to date and reflect wishes for Estate purposes.
13. Review and ensure Enduring Power of Attorney documents are current.
14. Seek our advice, or that of a qualified professional, who will assess your situation and provide appropriate advice via an Statement of Advice (SOA). An SOA is a written document which is legally required when Aged Care advice is provided. Our SOA will detail the present position, the strategies we recommend, the basis for our advice and the process and steps involved in transition. The SOA will also include a detailed cash flow forecast showing how all care fees and ongoing lifestyle expenses may be funded. In addition, the SOA will detail of the costs of our advice.

## Your next step

Decisions about aged care can be emotional and confusing. At a time that is already stressful, we urge you to seek advice from an experienced and knowledgeable financial adviser. They will help you understand the implications of various decisions with the structuring of assets to enable comfortable funding options to be identified and put in place. Regular reviews of and reforms to Australia's aged care system, including increased means-testing, further underline the importance of seeking financial advice. To find out more about any aspect of aged care planning, please call 07 3007 2007, email [bcribb@stratusfinancialgroup.com.au](mailto:bcribb@stratusfinancialgroup.com.au), [snicholas@stratusfinancialgroup.com.au](mailto:snicholas@stratusfinancialgroup.com.au) or [jmarshall@stratusfinancialgroup.com.au](mailto:jmarshall@stratusfinancialgroup.com.au) or visit [www.stratusfinancialgroup.com.au](http://www.stratusfinancialgroup.com.au).

**Note 1:** A **Refundable Accommodation Deposit (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.

**Note 2:** A **residential accommodation agreement** is an agreement covering things like services, fees and rights and responsibilities.

**Note 3:** A **daily accommodation payment (DAP)** is an amount paid, based on accommodation days, as an alternative, in total or in part to the RAD.

*Disclaimer: This information is of a general nature only and neither represents nor is intended to be personal advice on any particular matter. Stratus Financial Group strongly suggests that no person should act specifically on the basis of the information in this document but should obtain appropriate professional advice based on their own personal circumstances. Stratus Financial Group Pty Ltd and its advisers are Authorised Representatives of Fortnum Private Wealth Pty Ltd ABN 54 139 889 535 AFSL 357306. [www.fortnum.com.au](http://www.fortnum.com.au)*

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