THE BEST OF

Rachel Lane's Articles on Aged Care and Retirement Living

December 2022

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Figures listed were current at the time of publication, or date mentioned in the article.

About the author

Rachel Lane

Rachel Lane is Australia's Aged Care Guru. Her engaging explanations of the ins and outs of financing retirement living and aged care are embraced by millions of readers through her columns in major Australian newspapers including *The Sydney Morning Herald*, Melbourne's *The Age* and the *Brisbane Times*. She is also a regular contributor to *The Australian Carers Guide*, and online publications *Downsizing* and *Firstlinks*. Rachel frequently speaks on radio and television, most recently as the finance expert on Channel 9's *The Best 30 years* programme.

Rachel describes herself as passionate about helping people make empowered decisions on retirement living and aged care and believes her interest developed from the close relationship she had with her Grandmother — affectionately known as "Ducky" and the source of many stories — when she was growing up.

She has co-authored a number of books with finance expert Noel Whittaker, including the best-sellers *Aged Care, Who Cares?* and *Downsizing Made Simple*. In 2021, with her desire to help people overcome the financial confusion associated with downsizing to a retirement community, she developed the Village Guru software.

Rachel has specialised in retirement living and aged care for more than 15 years and holds a Masters in Financial Planning which included a thesis on the financial drivers of consumers and operators in aged care.

Rachel explains the financial aspects of retirement living and aged care in ways that are engaging and informative. She breaks down complex financial arrangements into plain English, empowering people to understand the choices they have available to them.

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The Sydney Morning Herald / The Age / Brisbane Times
November 16, 2022

Here's how you can get 'free' aged care for Christmas

As the end of the year fast approaches, many aged care homes are offering "free" aged care. Now, you might be thinking: what's the catch? Well, in some cases you'll need to pay for some upfront to get some free, but in other cases there is nothing to pay.

This is all thanks to deals on short-term care arrangements known as "respite care", which provides an opportunity for carers to have a break as we head into the festive season.

Respite care is available to provide a regular carer with a much-needed break.

Respite is also a great way to "try before you buy". A few weeks in an aged care home will give you a good sense of what it is like to live there, more than you will ever get from a guided tour or open day visit. At the end of your stay, you should have a clear idea of the activities, what the other residents are like, whether you enjoy the food and — most importantly — the quality of the care.

In fact, you may like it so much you don't want to leave. Aged care providers know that many people who come for a respite stay will, at some point, choose to move in. So, with that in mind, there is a growing list of deals, discounts and, in some cases, free stays on offer.

> ***Respite fees are simple as there are no accommodation payments or means-tested fees, you just pay the basic daily fee ($57 per day) plus any extra or additional services like hairdressing, wine/beer, hair and beauty treatments and TV subscription services. If you can't afford the basic daily fee, you can apply for financial support.***

Australian Unity and Regis have a deal across many of their homes where if you book for four weeks you pay for two. Many of these homes provide additional services ranging from $10 to $50 per day. At Australian Unity the additional service fee is waived during the free period, while at Regis you pay the additional service fee for your whole stay.

Mercy Health and Benetas are offering two weeks of free respite when you book a stay of three weeks or more, so pay for one week and get two free. When it comes to free aged care, Villa Maria Catholic Homes (VMCH) is offering two weeks of free stays and the Salvation Army has free stays of up to four weeks. Bupa, which has more than 50 aged care homes across the country, is offering respite stays of two weeks free, and if you decide to move in at the end of your stay, they will waive the basic daily fee for another two weeks.

To be eligible for a respite stay you will need to have your care needs assessed and be approved for respite care by the Aged Care Assessment Team (ACAT). Most of the deals require you to book between now and the end of the year and the offers are not necessarily available at every home and are obviously subject to availability. These offers are also often one time only, so you can't repeat buy.

Christmas can be an expensive time of year, emotionally and financially, so booking in a respite stay could save you money and stress.

The Sydney Morning Herald / The Age / Brisbane Times
July 2, 2022

Moving into a retirement village? Here are some key things to consider

If you are thinking of moving into a retirement village, you probably have not worked out what happens after you leave.

While many people know about retirement village exit fees— a complex formula of management fees, sharing of capital gain or loss, renovation costs, sales commissions and marketing fees — the other key consideration is how soon you will get your money back.

There are many things to consider before you move into a retirement village.

A "buyback" is a term that describes when a retirement village operator buys back a unit from a resident in the situation where it has not yet been sold. The official term usually in contracts is that the resident has received their "exit entitlement".

State-based legislation sets out the conditions and timeframes for unit "buybacks".

Broadly speaking, the time frames vary from 18 months in South Australia and Queensland to no buyback (with the exception of people moving into aged care) in Victoria. NSW falls in between, with six months in metropolitan areas and 12 months in the regions.

While the legislation sets the time limit for buybacks, it is not uncommon to find villages, particularly those run by larger operators, to offer a buyback in a shorter time period.

Sometimes the time frame depends on the contract you choose: It can be as short as three months in a state where no buyback is required.

If your unit in the village sells relatively quickly, then you would likely get your money soon after it sells.

What is a 'buyback' worth?

Putting a dollar figure on a buyback is tricky. It is a bit like insurance: It is not worth anything unless you need it.

A buyback applies if your home has not sold within the set amount of time.

In the past few years, the property market has boomed, and retirement village occupancy nationally is at about 90 per cent. However, that won't always be the case and may not be when you eventually leave the village.

A big part of the value of a buyback is what I call the "pillow factor", which basically means how well you sleep at night knowing that you — or your estate — would receive the money within a certain time period.

Generally speaking, your home is your most valuable asset, and the majority of people leave a village to move into residential aged care, or because they die.

Residential aged-care costs

If your next move is into residential aged care, then the cost of your new accommodation is a key factor to consider.

Most people pay the market price for their residential aged-care accommodation, which in most metropolitan areas starts at about $550,000, but can go as high as $3 million.

For example, let's say you are moving from a retirement village into aged care, where the price of your new accommodation is $550,000. Your exit entitlement from the village is $400,000 and your unit is not selling.

If your buyback is 18 months, then on the $400,000 you are waiting for you can pay a daily accommodation payment (DAP) of $54.79 per day to the aged-care facility, which equates to $30,000 over 18 months.

If your buyback is six months, then the DAP would cost $10,000, saving you $20,000 and 12 months of worry.

> ***There is a lot to think about when you are moving to a retirement village. For most people, what happens after they leave is the furthest thing from their mind.***
>
> ***However, it is definitely worth crunching the numbers before you move in, or getting a financial professional to help you.***

The Sydney Morning Herald / The Age / Brisbane Times
November 29, 2022

The tricky question for pensioners: Are you a homeowner?

Whether you are a home owner for pension purposes is a trickier question than it may seem at first glance.

Logically, you know if you own (or are paying off) your home or not. So, when you are looking at downsizing into a retirement community it can come as a surprise that even when your contract is a lease or licence arrangement you can be considered a home owner.

Knowing whether or not you are a homeowner is the first step in calculating your pension.

Why is it important? Because the threshold that applies to your pension assets test depends on whether you are considered to be a home owner. It may also affect your eligibility for rent assistance, which can provide a fortnightly payment on top of your pension of up to $152 for singles and $143 for couples.

> ***Most retirement village contracts are either a leasehold or a licence arrangement. The contract typically gives you the right to occupy the home and use the common areas and facilities of the village, and there are legislative protections in place that secure your financial interest in the property. The amount you pay to the village may be described as a payment, a loan or even a donation.***

From a pension perspective, whether or not you are a home owner under these contracts will be based on the amount you pay. The purchase price is compared to what is known as the extra allowable amount, which is the difference between the home owner and non-home-owner asset thresholds. Currently, that amount is $224,500.

In most circumstances the amount you pay will be more than the extra allowable amount. Under these circumstances you are classified as a home owner, the amount you have paid for your home is an exempt asset, and you don't qualify for rent assistance.

If the amount you pay for your home in the village is equal to or less than $224,500, the opposite rules apply: you are considered a non-home-owner, the amount you have paid for your home is included in your assessable assets, and you can qualify for rent assistance. There is no detriment in having your home included in your assessable assets, as the higher asset threshold for non-home owners covers the price you have paid.

The Centrelink rules that apply to land lease communities (sometimes called over 55s) are different because the nature of your contract is different. In a land lease community your contract has two parts: the purchase of your home and your lease on the land. It's a bit like if your home was a yacht — you have your home, and then you pay to moor it.

Because of that Centrelink will say you are a home owner (they don't compare it to the extra allowable amount) and you can be eligible for rent assistance based on what's called the "site fees", which is the rent you pay for the land your home sits on.

The Sydney Morning Herald / The Age / Brisbane Times
December 7, 2022

New caps on aged care fees could save you thousands each year

While the federal government has conceded the commencement date for the in-home aged care program of July 1, 2023, was optimistic — pushing it out by a year — significant changes to the current Home Care Package Program will commence from January 1.

When you receive a Home Care Package it is up to you to nominate your provider. Even if you decide to self-manage your package, you still need to have it hosted by an approved provider. There are two main fees that providers charge: package administration fees (to manage the payment of your services) and case management fees (it is a requirement that you have a care plan).

If you're paying your home care provider 52 per cent as an administration fee, you could save over $21,000 per year as a result of the caps.

Currently, the cost of administration and case management fees varies significantly from one provider to another — I have personally seen an administration fee of 52 per cent.

The changes being introduced in January will cap the amount providers can charge for managing your package to 15 per cent and limit care management fees to 20 per cent.

In addition, providers will not be able to charge a package management fee in a month when no services (except for care management) are provided, bar the first month. They will also be banned from charging for third party services through brokerage, handling or subcontracting fees.

Changes being introduced in January will cap the amount providers can charge for managing home care packages.

These changes could mean thousands more dollars of care. Let's look at an example.

Joe is a pensioner who receives a Level Four Home Care Package, and pays the basic daily fee of $11.71 per day, or $4274 per year. The government provides funding of $145.94 per day, so in total Joe has $157.65 per day or $57,542 per year in his home care package.

If Joe is currently paying his home care provider 52 per cent as an administration fee, then he could save over $21,000 per year as a result of the caps. Which is $21,000 Joe can spend on the care he needs.

Capping and removing some of the fees that providers can charge will mean more money can be spent on care. It will also make it easier to compare providers. However, while some fees and charges are being capped, hourly rates are unregulated, which may tempt some providers into increasing these costs.

From January 1, Home Care Package exit fees will also be banned. While not normally a significant amount in dollar terms, there were five providers who charge an exit fee of $1000 or more. The industry average as of the end of June was $186, with almost half of providers not charging at all.

> ***Getting good value from your home care package isn't about shopping around for the cheapest price. It's about finding a provider who offers good value for money, and can provide the services you need using people you are comfortable with.***

Should you keep or sell your home?

A number of people believe that you have to sell your home when you move into aged care.

When asked who will force them to sell, the answer is typically either the government or the aged care home. It's a myth.

Whether you choose to keep or sell the family home when you move into aged care is up to you. Selling the home may be the right decision, but there are a few things you should think about first.

Let's start with how the home is assessed for working out how much you can pay for your aged care.

The calculations

For calculating the amount that you can contribute towards your aged care costs, the value of your former home is capped at $178,839 (unless a protected person lives there in which case it is exempt).

A protected person includes: your partner or dependent child, a ***carer*** who is eligible for an Australian Income Support Payment who has been living in the home for at least 2 years or a close relative is eligible for an Australian Income Support Payment who has been living in the home for at least 5 years.

If your home is worth less than the $178,839 cap, then the market value of the home will be used in the assessment. In most cases the market value will be far greater than the cap. As these special rules only apply to your former home, if you choose to sell, you are increasing the amount of assets and potentially income that will be included in the ***aged care*** assessment.

HERE'S HOW THE AGED CARE MEANS TEST WORKS
50¢ per dollar above $28,974.40 per year (single) $28,454.40 per year (member of a couple)
17.5% of assets $52,500–$178,839.20
1% of assets $178,839.20–$431,517.60
2% of assets above $431,517.60

IF YOU ARE A MEMBER OF A COUPLE:

- Half of the combined income and assets are assessed.
- If your calculated amount is $60.74 per day or less you are considered a low-means resident.
- If your calculated amount is more than $60.74 per day you will pay the market price for your accommodation, your Means-Tested Care Fee is the amount above $60.74 per day.
- There is an annual limit of $29,399.40 that applies to the Means-Tested Care Fee.
- There is a lifetime limit on means-tested fees across Home Care and Residential Aged Care of $70,558.66.

Now let's look at how Centrelink treat your home for the purpose of calculating your pension.

Just like with the aged care assessment your home receives special treatment in calculating your Age Pension.

- Under the pension assets test the full value of your home is exempt for 2 years from the date you or your partner leave the home (whichever is later).
- When the 2-year exemption ends the home is included in your assessable assets at the market value but your pension assessment changes from a homeowner to a non-homeowner giving you an asset test threshold and cut off that is $216,500 higher.

While the asset value of the home receives special treatment for both pension and aged care means testing, it is important to know that if you receive rent from the home it is assessable income for both pension and aged care means tests.

There is special tax treatment too. As a general rule, you can keep the main residence Capital Gains Tax (CGT) exemption on your former home for six years after moving into aged care if the property is rented and potentially beyond this if it does not produce income. Be careful though, as the tax implications for you and those who stand to ***inherit*** the home are complex and warrant seeking specialist advice.

So, with all these special concessions why are most people so quick to sell the former home?

Well typically the former home represents the majority of wealth for the person entering aged care. Without selling it they cannot meet their cash flow needs. You see, while you can choose to pay for your aged care accommodation by daily payment the interest rate is **4.07%p.a.** Which means a **$500,000 accommodation deposit** (RAD) has an equivalent daily payment (DAP) of **$20,350p.a.** When this is added to the basic daily fee ($54.69 per day/$19,962 p.a.), a means-tested care fee and any additional services you can easily be looking at an annual cost of $50,000 or more.

The bottom line is if you have a home and a small amount of money in the bank it is easy to jump to the conclusion that you have to sell it.

Crunching the numbers is important, you may not need to sell your home to fund aged care.

Typically, the former home represents the majority of wealth. But for all of the reasons listed above as well as the potential impact on your estate planning wishes, it is vital to crunch the numbers. Or you can get a Retirement Living and Aged Care Specialist® adviser to crunch them for you! The treatment of your home is unique from any other asset and once it's sold, it's too late.

A list of Retirement Living and Aged Care Specialist® advisers can be found on our website [*www.agedcaregurus.com.au*](http://www.agedcaregurus.com.au)

All figures are correct as of May 1, 2022

How to save $173,000 on aged care

When it comes to residential aged care (what used to be called "nursing homes") many people believe that if they don't have any money, they won't get in. Which is simply not true. You see, in residential aged care there are two groups: market price residents and low means residents. And, the overwhelming majority of aged care homes need to keep a mix of each in order to receive funding from the government.

Market price residents, as the name suggests, pay the market price for their aged care accommodation. The aged care facility will advertise the price. You can pay any amount up to the advertised price, but not more than it. How you pay the price is up to you. You can choose to pay by daily payment, lump sum or a combination.

Low-means residents pay a contribution towards their accommodation based on their assets and income. The government "tops up" the amount the resident pays, up to a maximum of $59/day. Just like market price payers, low-means residents can choose to pay for their accommodation by a lump sum, a daily payment or a combination.

But it's important to know that as a low-means resident even though the amount you pay is based on your assets and income, doesn't mean that it will be affordable. In fact, you can find that the amount you need to pay is more than the market price.

So what will you pay?

Well, everyone in aged care needs to pay the basic daily fee, set at 85% of the Age Pension, currently $52.71 so that's the starting point. Beyond that the means test will calculate a contribution to your accommodation costs based on 17.5% of your assets between $51,000 and $173,075 and 50% of your income above $28,101/ year for singles or $27,581 for members of a couple. The income threshold is based on the amount of income you can have to get the full age pension, so for most low means residents it is the asset test that affects them.

Now when it comes to the means assessment there are a few things to know. If you are a couple your assets and income are assessed jointly on a 50/50 basis, regardless of legal ownership. Your former home will be included in your aged care assets. This is up to a capped value of $173,075 unless a protected person lives there. A protected person includes your spouse or dependent child, a carer who has been living in the home for the last 2 years + and is eligible to receive an Australian Income Support Payment or a close relative who has been living in the home for the last 5 years + and is eligible to receive an Australian Income Support Payment.

CASE STUDY

Let's look at the example of Shirley. She receives the Full Age Pension, she has $95,000 of investments and $5,000 in personal assets. Shirley's daughter lives in her home with her and qualifies as a protected person.

Shirley's accommodation contribution under the income test is zero. Under the asset test her accommodation contribution is $23.56/day which is $8,575/year. Shirley can choose to pay her accommodation as a daily payment of $23.56 or she pay by a lump sum. Her lump sum is calculated using a government set interest rate, currently 4.04%, which gives her lump sum of $212,252.

For many low means residents aged care fees cause a lot of financial stress. The accommodation contribution on top of the basic fee means Shirley's cost of aged care is $76/day. This is almost $28,000/year and far more than her pension and other income. Paying a lump sum of $212,000 is likewise impossible. She could choose to pay by a combination. For example, she may choose to pay $50,000 by lump sum. This would mean her daily payment would be $17.96 per day. This would reduce her cost of care to around $71/day which is $25,800/year and still more than she can afford. If Shirley pays a lump sum, she could choose to deduct her daily accommodation contribution from that amount. This would ease the pressure on her cash flow but reduce her lump sum to zero in around 13 years.

But if Shirley sought advice, she may be able to reduce her assessable assets under the means test. This in turn would assist in making her aged care more affordable. Let's say she sought advice and reduced her assessable assets by $40,000 — which could be through a combination of gifting, pre-paying funeral expenses and/or purchasing an income stream with an asset test exempt amount — Shirley's accommodation contribution under the asset test would drop from $23.56/day to just $4.33/day and her equivalent lump sum would also reduce from $212,252 to $39,092.

> ***Many low-means residents think that they can't afford to get financial advice. Personally, I think they can't afford not to get it.***

5 steps to calculating a retirement village exit fee

Without a doubt the greatest confusion when it comes to Retirement Village costs is the Exit Fee. Many people view it as a "rip off", but the exit fee is directly related to how much you pay upfront and the cost of living in the village. You see the exit fee enables the village to keep their purchase price lower so part of the reason for the exit fee is to pay what you didn't pay upfront. The other part is to compensate the operator for managing the village at cost while you live. Many people don't realise it but Retirement Villages are not allowed to profit from the ongoing weekly or monthly service charges.

Now that you know what the exit fee is for, let's talk about how to calculate how much you will pay with those two pieces of information you can work out whether or not it represents good bang for your buck.

Since most residents live in a retirement village for around 9 years, let's calculate the exit fee based on you living there for 10 years.

Step 1 — Start with the Deferred Management Fee (DMF)

The Deferred Management Fee or DMF is typically the biggest part of the exit fee, although it is possible to find villages that allow you to pay an Upfront Management Fee (often at a discount) or even no management fee (with a higher purchase price).

When it comes to DMF's the industry norm is around 30% and on average it accumulates over the first 5 or 6 years that you live in the village.

So, the first step is to find out how much the DMF is and what it is based on — is it the purchase price, the sale price or a fixed amount?

If it's a fixed amount or it is based on the purchase price then you know exactly how much it will be simply be multiplying the amount you paid by the percentage. For example, if the DMF is 5% per year for 6 years then after 10 years your DMF will be 30%. If your purchase price is $400,000 this means your DMF will be $120,000

If your DMF is based on the sale price then you will need to guesstimate what the value of your unit will be when you leave. You can do this by applying a growth rate, my tip here would be to be conservative and use say 2%p.a or 3%p.a. So a unit worth $400,000 today, assuming a 2% capital growth rate would be worth $487,600 in 10 years' time. If your DMF is 30% of the sale price this means your DMF would be $146,280.

Step 2 — Add or subtract any share of capital gain or loss

The calculation of your exit fee may include receiving some (or all) of the capital gain or loss with the operator. The share is not always the same, for example you may receive half of the capital gain but all of the capital loss. Many Australians believe that property always goes up, but that's often because they have only sold properties they have held for a long time, in reality property prices can fluctuate a lot. If you are doing the sums on a contract with capital gain and loss my tip would be to be conservative with any assumed growth rate.

Step 3 — Add any refurbishment or renovation costs

As a general rule if you have a contract that gives you some or all of the capital gain then you will typically need to meet some or all of the costs associate with achieving that gain, which often means renovations.

If you have lived in the village for 10 years then the renovations to bring your unit up to the standard of other units at that time could be substantial, i.e new bathrooms, kitchen and floor coverings.

If your contract doesn't give you any capital gain then typically you will find that you are responsible for what's often called "reinstatement", which is basically like saying "put it back to the way the way you found it". It often involves some relatively minor works like repairing any damage and removing any alterations you have made.

Step 4 — Add any marketing fees

Like any property sale you need to find a buyer, while some retirement villages will have a waiting list of people they can contact in most cases your unit will need to be advertised on multiple websites and you may need to cover costs such as professional photography and furniture styling which all costs money.

Step 5 — Add any Selling Costs or Sales Commission

Just like other property transactions there can be costs associated with selling your home in the village like legal fees, administration fees and commission for the salesperson.

Last but not least, look at the buyback period

The buyback period is not a cost, rather it is something that could save you money in the event that your home in the village doesn't sell in a timely fashion. State-based legislation sets out the conditions and timeframes for buybacks which vary from no buyback through to 18 months. While the legislation sets the maximum timeframe for buybacks it is not uncommon to find villages, particularly those run by large operators, that will offer you a buyback in a shorter period of time or when a buyback is not required. It can be as short as 3 months in a state where no buyback is required. If your next move is to aged care getting your money back sooner could save you thousands.

There is a lot to think about when you are moving to a retirement village, and for most people what happens after they leave is furthest from their mind. But it's definitely worth crunching the numbers.

You can ask the village to provide you with a *Village Guru Report* which will crunch the numbers on the village costs Ingoing, Ongoing and Outgoing and provide you with an estimate of your Age Pension, Rent Assistance and Home Care Package fees. It's great information, but it's not financial advice.

It's a good idea to get advice from a *Retirement Living and Aged Care Specialist®* on all of the financial implications of downsizing and strategies that can make it more affordable.

Should I pay my retirement village exit fee now, later … or not at all?

Moving to a retirement village can be an exciting and daunting experience

For many people there are two big obstacles, "what am I going to do with all my stuff?" and "how do I work out if I can afford it?"

When it comes to the finances, without a doubt, the greatest cause of confusion is the exit fee, which most people view as a "rip off".

However, the good news is that more retirement villages are offering payment options than ever before, including options not involving exit fees.

Working out which is best for you depends on a number of factors, including;

- Your ability to afford the purchase price
- How much money you want to invest or buy lifestyle assets like a new caravan or boat

- The impact on your pension and eligibility for rent assistance (people who pay less than $216,500 can qualify for rent assistance)
- Your anticipated future need for capital — perhaps to fund a move to aged care
- How long you think you will live in the village.

When you are crunching the numbers important elements can include the extent to which you will share in capital gain or capital loss, whether you need to pay to renovate your home after you leave, selling and marketing costs and whether you need to wait for your home to sell to get your money back or if there is a guaranteed buyback (and what the time period is for that).

If you are looking at different villages you will find a wide range of options.

In not-for-profit retirement villages you can often find a "donation" option, which put simply means the amount you pay for your unit is taken as a donation either immediately or over a period of time, put simply the exit fee is 100%.

At the other extreme you can find options of a refundable contribution — which, as it sounds, has no exit fee.

Unlike the donation option, this option can be found in both not-for-profit and for-profit villages.

In between no exit fee and 100% exit fee there are a wide range of payment options, the important thing is to look at your contract as a whole not just compare percentages.

> ***In general, the exit fee is directly related to the purchase price — typically the less you pay upfront the more you pay at the end, and vice versa.***

Not every retirement village will give you payment options: some will routinely and others will (but only if you ask).

Where there is only one price it makes crunching the numbers easier but the odds of that being the best option for you is less likely.

Crunching all the numbers to work out which option is best for you is complicated.

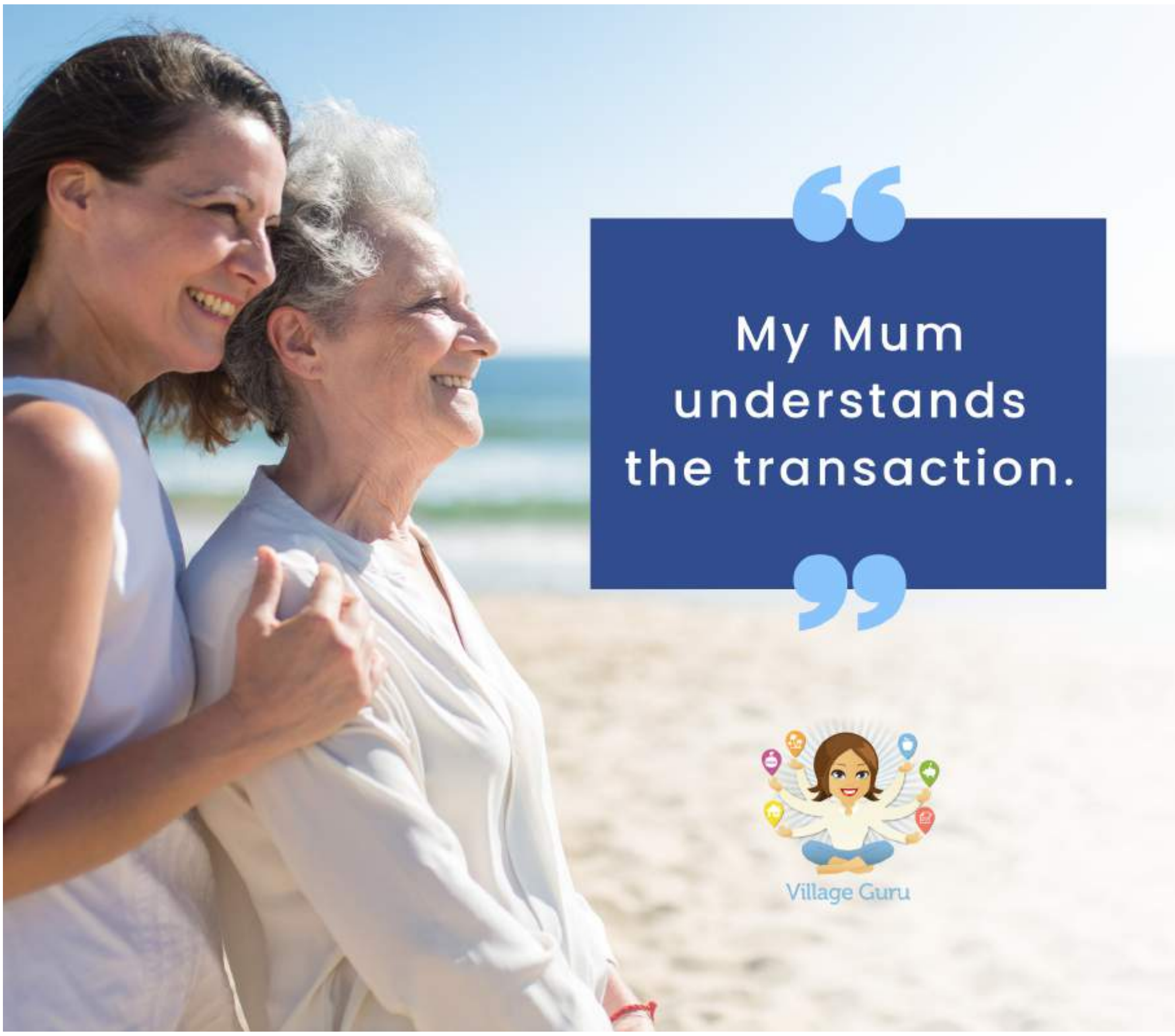
And that's before you start factoring in things like your superannuation, tax and estate planning.

Some providers, including Aveo and Bolton Clarke, provide consumers with reports from Village Guru showing what the different payment options may mean for the pension, rent assistance and other issues.

However, even with this report, it is also important to seek specialist advice before downsizing.

FIND OUT MORE:

- Download this *case study* to see how a Village Guru Report helped one customer to move into an Aveo retirement village
- Learn about *Village Guru* and its *Village Essentials Report* which can help you crunch the numbers on village costs, age pension, rent assistance and home care package fees.



Land lease communities versus retirement villages

Stockland, the second largest provider of retirement housing, recently settled on the sale of their 58 Retirement Villages for almost $1bn to private equity company EQT. But they are not leaving the retirement housing sector, they are partnering with international property giant Mitsubishi Estate Asia to grow their portfolio of Land Lease Communities with an estimated pipeline of $5bn.

Land Lease Communities, once the poor cousin to retirement villages, have come a long way with many new communities resembling a 5-star resort. The modern, spacious homes with alfresco dining, home offices and 6-star energy ratings bear no resemblance to the demountable cabins alongside a caravan park.

So, what's the difference between a retirement village and a land lease community?

Well, it's all about the contract. In a retirement village your contract is typically a leasehold or licence arrangement for your home and the land on which it sits. In a land lease community your contract has two parts: to buy the home and have a leasehold over the land. The leasehold is normally long term, 50 or 99 years or perpetual. As a general rule you don't pay stamp duty on your purchase in a retirement village (unless it's strata) or land lease community.

Whether you live in a retirement village or land lease community there is a weekly or monthly fee, in retirement villages it is often called a “general service charge” in land lease communities it’s called “site fees”. It is not uncommon for Land Lease Community site fees to be higher than the general service charge of a Retirement Village. This is because the general service charge is similar to an owner’s corporation where a budget of expenses is prepared, the residents have input and the fees are levied on a cost recovery basis whereas Land Lease Communities set a market price and can profit from the site fees.

The unique ownership structure of land lease communities means that if you receive the Age pension you can normally claim rent assistance based on the site fees, even though you are a homeowner. In a retirement village you normally don’t qualify for rent assistance unless the amount you have paid is under $224,500.

> ***When it comes to leaving there are big differences too. In a retirement village an exit fee and sharing capital gain/loss and selling fees is the norm whereas land lease communities typically don’t charge an exit fee (but some do) the resident pays all the selling costs and get all of the capital gain or loss.***

In a retirement village your ongoing fees will normally stop shortly after you leave, in a land lease community they continue until your home is sold and therein lies another big difference — retirement villages will often give you a guaranteed buyback anything between 6 and 18 months is typical but it could be as short as 90 days, whereas there is no buyback in a land lease community.

Land lease communities are growing in popularity as they are offering low maintenance accommodation with lifestyle amenities on financial terms that downsizers are looking for.

It’s not that land lease communities are necessarily better than retirement villages, they are just different. Whether you are thinking about downsizing to a retirement village or a land lease community it’s vital to make sure that your contract has the right balance of rights, responsibilities and costs — while you live there and after you leave.

12 tips for 'aged care season'

Some call it the silly season, others call it the festive season, but I call this time of year 'aged care season'. It's a time when families come together, maybe for the first time since last Christmas, and notice that Mum or Dad or both need some (or a lot) of care.

So, if your family gathering turns into a conversation about "what are we going to do to help Mum?", here are my tips for navigating aged care season.

1. Talk about it

Conversations about care can be hard. Maintaining good communication and having a 'with you' rather than 'to you' attitude can it easier for everyone.

There is a wide range of accommodation and care options. Sometimes older people feel like a conversation about aged care is a slippery slope to a nursing home. But having these conversations and planning early can be the best antidote to needing to move into residential aged care. Whatever the choices are about where and how you wish to access care, starting your research sooner rather than later normally means you have far more choices.

2. Work out where and who

Whether you are considering moving into a granny flat with family, downsizing to a retirement community or moving into residential aged care, you need to do your research about where you want to live and who you want to live with.

Most retirement communities will have opportunities for you take a tour, join in an activity or attend an open day — gather as much information as you can from the staff and from the residents who are living there. When it comes to granny flats, it's important to remember that living with family is not the same as sharing Sunday dinner or a holiday. Think about the dynamics of the house now and in the future and make sure you have a written agreement.

3. Get your care needs assessed

The first step in accessing government funded aged care is to have your care needs assessed, which starts with a call to *MyAgedCare*.

To receive Commonwealth Home Support Programme (CHSP) services you will need a Regional Assessment Service (RAS) assessment. To get access to a Home Care Package, a respite stay, or a permanent move to an aged care facility, you will need to have an Aged Care Assessment Team (ACAT) assessment (known as ACAS in Vic). The assessments are free and easy, but you can be waiting many weeks, sometimes months, at busy times.

4. Look into home care

The great thing about home care is that it can be delivered wherever you call home. There are a range of home care services, including Commonwealth Home Support Programme (CHSP), Home Care Packages, Department of Veteran's Affairs (DVA) services and private care.

While many people think of home care as a regular service you can access more than just your regular care. Home care services can also provide you with equipment and aids, home modifications, respite services, home and garden maintenance and social activities.

5. Book in a break

A Respite stay in an aged care home can give carers a much-needed break and is also a great way to 'try before you buy'. A stay of 2 or 3 weeks is normally long enough to get a good idea of the activities, the other residents, the food and, most importantly, the care.

Respite is also very affordable as there are no accommodation costs or means-tested fees — you only pay the Basic Daily Fee, currently $57 per day plus any extra services you receive like wine with meals, hairdressing, massage, or Foxtel.

6. Consider village life

Retirement villages are becoming a popular choice because they can provide the independence to do what you can for yourself, with care and support for things that you can't (or don't want to) do.

When it comes to the financial arrangements, look at the ingoing, ongoing and outgoing costs. Don't just compare based on the upfront price or the exit fee. Other important considerations include whether you need to pay stamp duty, how the ongoing costs are determined and how much money you will receive and how soon after you leave (some are subject to a buyback while others rely on the next sale). If you are going to receive care from the village, ask for a menu of their services and prices.

7. Be prepared for pension consequences

Moving into a granny flat, retirement community or aged care home normally involves selling your current home. If you receive a means-tested pension such as the Age Pension, make sure you understand the impact of your move on your pension and other entitlements such as rent assistance and concession cards.

For many people their current home is worth more than their new home. This financial downsize can cause a reduction (or loss) of pension. It is often due to the assets test which reduces your pension by $7,800 per year for each $100,000 over the threshold and can have a terrible effect on your cash flow.

8. Consider supersizing your superannuation

Downsizers over the age of 60 who have lived in their home for at least 10 years can qualify to make a superannuation Downsizer Contribution of up to $300,000. If you are a couple, you may be able to contribute up to $600,000.

You can only access the scheme once (once accessed you cannot use it again on another property) and your contribution will need to be made within 90 days of your home selling (unless there are extenuating circumstances) with the appropriate downsizer contribution form completed for your super fund. The contribution doesn't count towards your contribution caps and there is no requirement that you purchase a new home. It's important to note that your superannuation is included in Age Pension means tests once you reach pension age.

*Legislation is currently before the Senate to lower the contribution age to 55 and provide a 2-year pension asset test exemption and apply the lower deeming rate (0.25% p.a) on the proceeds that will be used for your next home.

9. Get the timing right

If you are a couple, then the timing of your move into aged care can make a significant difference to your costs. Because your home is an exempt asset while your partner lives there moving together or separately (even a day apart) can create very different outcomes.

Moving in separately can enable the first person to qualify as a “low means resident” and have some or all their accommodation cost subsidised by the government. Before you employ such a strategy make sure you are happy with the accommodation, and you have crunched the numbers on what it will mean for your pension and care costs now and in the longer term. It may sound crazy, but it is possible for low means residents to end up paying more than the market price.

10. Have a trusted attorney

Having an Enduring Power of Attorney enables a trusted person or people, rather than a tribunal or a court, to make decisions for you when you can’t.

Powers of attorney can be made for financial decisions, medical decisions and lifestyle decisions. You may wish to nominate the same person or different people for different roles. Make sure you have one.

11. Estate plan

A good estate plan is more than ‘just a will’ — it considers the assets that will be part of your estate and those that won’t and provides a clear document of your wishes.

Your estate plan doesn’t have to be complicated, although there can be benefits to having a testamentary trust (which is where your will creates a trust for distributing your assets and income). The most important thing is to speak to a legal professional about who you do (and possibly don’t) want to receive your assets when you are gone.

12. Get good advice

Whether it’s a granny flat, a retirement community, home care or an aged care home crunching the numbers can be complicated. Advice from a Retirement Living and Aged Care Specialist® will ensure you understand all the options available to you, the strategies you can use to make it more affordable and that there are no nasty surprises down the track.

Q&A

October 5, 2022

Asset tests for couples when it comes to aged care can be a minefield.

Q. ***My mother has owned a share portfolio for many years, and it's always been in her name. Her second husband does not dispute the ownership. He now requires residential aged care and she has no other assets or means of income than from the shares. She is in her 80s. His only asset is a share of the home. Are her shares considered as part of the assets test for his aged care? We feel she cannot afford to pay his costs and live herself, and it will be worse if she has to sell the shares to pay for the accommodation deposit. She seems to be between a rock and a hard place.***

A. All assets owned by a couple are considered, irrespective of what names they may be in. The exception is the home which is exempt for as long as one of them lives there.

If they claim to be separated and living apart (strict criteria apply) then assets and income are assessed based on legal ownership. While on face value this may seem attractive, you need to look at all the consequences in terms of cost of care and pension implications. It may also be taken into consideration in any family law matters.

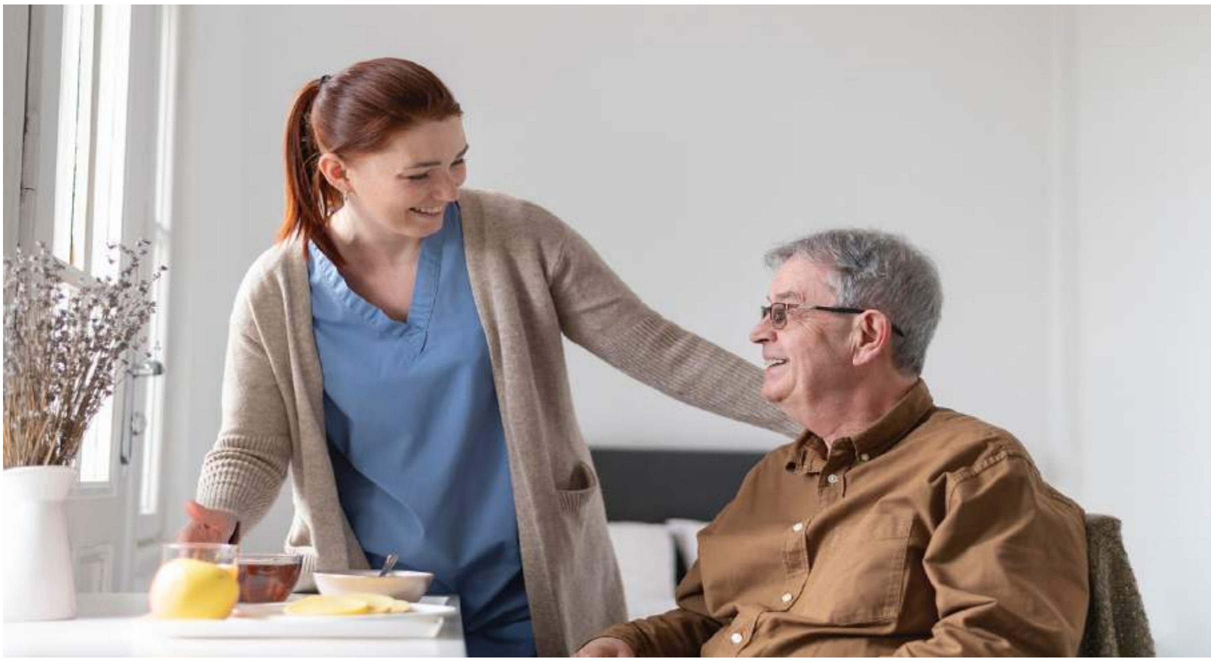
This is a very complex area and specialist financial and legal advice should be sought. It is possible to pay some or all of the accommodation cost by daily payment in lieu of paying a lump sum, it is also possible to pay some of the lump sum and have the remaining daily payment deducted from it. If she needs to sell small parcels of shares to get by, the capital gains tax should be minimal.

September 21, 2022

Q. ***My widowed mother, who does not own a house, lives in Victoria (I mention this in case different states have different rules) and her dementia has reached a point where she needs to go into an aged care home. I am looking at paying the bulk of the refundable accommodation deposit (RAD) for her for the aged care home, with the remaining balance of the deposit being paid by another sibling.***

When my mother dies would the RAD be paid back proportionally to the contributors, or would it be paid to my mother's estate, in which case others would benefit. I understand that because of my mother's dementia, she cannot make a new Will to cover this situation.

A. Normally, irrespective of the source of the funds for the accommodation deposit, the proceeds will be paid to her estate on death. However, it may be possible for you and your sibling to enter into a loan agreement with the person who has your mothers' Enduring Power of Attorney whereby the funds are provided for her to the aged care home by way of a loan. Then when she dies the amount owing on the loan will be recoverable from her estate. Take advice — the downside here is that the deposit will be treated as an assessable asset and may increase the means-tested fees at the home. Another option may be to just go in without a deposit, or a partial deposit and pay the rest by daily payment.



Accommodation payments are unaffected by the recent changes to aged care fees.

Q. ***I understand there have been changes to aged care fees but wondering what is happening about the bond. Has this been dispensed with?***

Also, how is any means-tested fee applied if you choose not to disclose your income and assets?

A. The changes to the care funding don't affect the accommodation payments, all residents have the choice of paying towards the cost of their accommodation by a lump sum, a daily payment or a combination of a lump sum and daily payment. Likewise, it is up to you if you choose to disclose your assets and income. If you choose not to then your means-tested fee will be based on your cost of care and the annual cap and lifetime limit will still apply to you. While most people will be better off disclosing, and there is a simplified process for pensioners. But if you are a self-funded retiree it is worth getting an estimate of your fees before you complete the paperwork to make sure.