

# Aged care and your assets

In the summer issue of Investment Solutions we examined some of the options for aged care. In this issue we look at the pros and cons of selling or keeping your family home.

If you enter a hostel or nursing home, the decision to sell or keep your home can affect how much you pay for aged care and the amount of age pension you receive.

## Age pension

Centrelink determines your age pension entitlement by applying both an income test and an assets test. The test that results in the lower rate of pension will apply.

## Assets test

If you keep your home, it's exempt from the assets test for two years after you enter an aged care facility or for an indefinite period if any of the following circumstances apply:

- Your spouse continues to live in the home
- You rent out your home within two years of entering the facility and pay some or all of aged care accommodation bond by periodic payment or you pay an accommodation charge.

If you sell your home, Centrelink may assess the proceeds depending on how you use them. Assessment will be against the higher, non-homeowner limit.

## Income test

Where you pay some or all of an aged care accommodation bond by periodic payment or you pay an accommodation charge, any rental income you receive from your home is exempt for the income test indefinitely.

If you sell your home, the income test assessment depends on what you do with the proceeds.

## Aged care costs and age pension: Harry

Harry is 80, in receipt of the maximum Centrelink age pension and is about to enter a nursing home. His only assets are family home valued at \$750,000 and \$30,000 in the bank with an interest rate of 4%.

Harry has the option to either keep and rent out his family home at \$500 per week (within two years of entering the nursing home) or, sell the home and invest the proceeds in his bank account.

The table below outlines the impact each option has on Harry's aged care fees and age pension entitlement after two years.

	Home rented	Sell home
Basic daily care fee <sup>1</sup>	\$36.94 <sup>3</sup>	\$33.74 pd <sup>4</sup>
Income tested fee	Nil	\$5.37 pd
Accommodation charge <sup>1</sup>	\$25.05 pd	\$25.05 pd
Total fees per day	\$61.99 pd	\$64.16 pd
Total fees pa	\$22,626.35 pa	\$23,418.40 pa
Centrelink age pension <sup>1</sup>	\$17,469.40 pa	Nil
Bank account (@ 4%)	\$1,200.00 pa	\$31,200.00 pa
Rental income (\$500 pw)	\$26,000.00 pa	N/A
Total income pa <sup>2</sup>	\$44,669.40 pa	\$31,200.00 pa

<sup>1</sup> Ignoring indexation.

<sup>2</sup> Assuming no other income.

<sup>3</sup> Standard resident consideration fee.

<sup>4</sup> Phased resident consideration fee.

Other assumptions: Expenses for home maintenance are not included. Capital growth on home is not included. Bank account assessable income is calculated using current deeming rates: first \$42,000 at 2% and the balance at 3%. Age pension rates and thresholds are current as at 1 January 2010 and include pension supplement.

## Talk to your financial adviser about your options

Keeping your home may help to reduce your assessable assets and income. This may boost your total income and keep aged care costs lower. If you keep your home you'll need to consider home maintenance expenses and other costs. If you sell it, you'll need to consider the expected lost potential capital growth and the net returns for each of your investment options.

Your financial adviser can help you decide which option is appropriate for your particular circumstances.