

Aged Care Insights

News and updates to help navigate aged care

Protect your future



Rethinking your retirement needs

If you are planning how much you need to save for retirement, don't forget to include the costs of aged care. This is not just the cost of residential care, but should also include care in the home or support services to help you live independently as you age.

Factoring in the costs of aged care is becoming increasingly important with the emergence of home care, increasing longevity (living longer) and the rising incidence of dementia. Having the capacity to pay for services increases your range of choices and your ability to retain some independence.

If you ignore the costs of aged care when planning the adequacy of retirement savings, you may fall short of predicting your real retirement income needs and run out of money too early.

The costs of home care

The costs of aged care have been increasing and are likely to continue to increase at a rate higher than inflation. When planning your retirement, consider the costs that you may incur in your latter years for:

- **Home care** - home care costs can be difficult to predict and can vary from \$100 a week to \$5,000¹ a week depending on your care needs, family circumstances and your choice for what type of care you want. Government subsidies may help to drastically reduce the cost to you, but having adequate savings opens up the choices and ability to control the level and type of care received.
- **Capital expenditure** - to make the home suitable for you as you age (e.g. widening doorways to enable wheelchairs and ramps).

¹ Estimate of cost for 24-hour a day private nursing.



Example: Francis is single and retires at age 67. She estimates that she will need \$43,695² per annum in retirement indexed to inflation. Her adviser calculates that she will need to save a superannuation balance of \$658,000 (based on an investment return of 6% pa and ignoring Centrelink benefits) to fund her income requirements to age 90.

Francis would prefer to keep living in her own home in her older years. If she adds in the need to pay home care costs of \$26,000³ per annum (in addition to government subsidies up to \$50,000 per annum) and one-off costs of \$50,000 to modify her home when she reaches age 85 (in today's dollars and indexed to inflation of 2% pa), the amount she needs to save is more like \$750,678.

Her current goal leaves her short by \$92,000 and her money is more likely to run out by age 87. This may also put more pressure on other family members.

Next steps

Call us if you want to review your retirement plans and factor in the costs of aged care. Don't delay the conversation as starting sooner can increase your opportunities to meet all your retirement goals.

What changes might lie ahead for aged care?

When the Living Longer Living Better reforms were announced in 2012, the government committed to a 5-year review of how the aged care system was operating.

The report on this review (The Tune Review) has recently been tabled in Parliament and put forward 38 recommendations. The key recommendations are outlined below.

Home care

- Increase the range by introducing a Level 5 home care package to allow people with higher care needs an option to stay at home longer.
- Develop a methodology that can be published to compare the prices of home care services on the My Aged Care website
- Make it compulsory for all providers to charge clients the basic care fee and the income-tested care fee.
- Charge the basic care fees of different amounts for the different package levels.

² ASFA Retirement Standard for a comfortable retirement, June quarter 2017.

³ Assuming full user maximum contribution for home care of \$14,000 per annum plus \$1,000 per month additional private.

- Introduce mandatory consumer contributions for Commonwealth Home Support Programme (CHSP) services and consider standardising the means-testing.

Residential care

- Include the former home's full value in the means test if there is no protected person, instead of just the capped value. Note: the government has ruled out implementing this recommendation.
- Allow providers to choose to charge non-low means residents a higher basic daily fee. Fees over \$100 would need to be approved by the Aged Care Pricing Commissioner. The maximum fee would need to be published on the My Aged Care website, the provider's website and in written materials.
- Abolish the annual and lifetime caps for means-tested fees (both residential and home care). Note: the Government has ruled out implementing this change.

So far the report has only been tabled in Parliament. The Government has ruled out two of these key measures (as indicated above) but is yet to form a policy position on what reforms may be put forward as legislation. Therefore, at this stage it is unknown what will change, but it is certain that some changes will be adopted. Keeping in touch with us can help to keep you up-to-date.

The wait for home care

Many people defer the decision to apply for subsidised care services until circumstances reach a critical point. This can increase stress levels and put you or your family member at risk because the wait to access care can be long – especially for home care.

Approval for a home care package from an ACAT/ACAS team does not mean you can immediately access a package. It just allows your name to be added to the National Queue. You will still need to wait for a package to become available – either when the government releases new packages or someone no longer needs the package they were using.

It is hard to know how long you can expect to wait as the National Queue has only been operating since the end of February 2017. However, figures released recently by the Department of Health show that you can expect to wait more than six months. Warnings are provided on the myagedcare website that the wait could be more than 12 months.

This waiting time could also lengthen as the demand for home care increases. As at 30 June 2017 there are 53,750 people in the Queue waiting for a home care package to become available. A total of 70,579 packages had been allocated, but of these, 35,154 people had accepted an interim package at a lower level of care so they can start to receive some care.

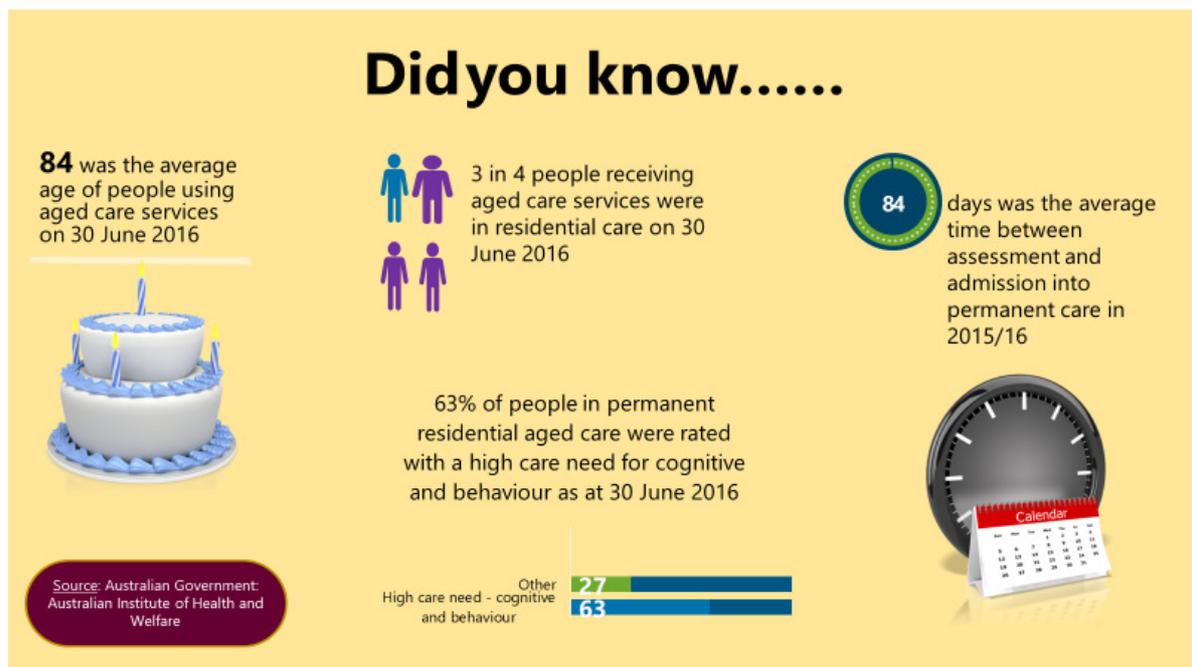
Next steps

What does this mean for you or an older family member?

- Book in an ACAT/ACAS assessment before the crisis critical point is reached

- If you are waiting for a package to become available, you may need to privately fund the full cost of care from your own resources – we can help with financial advice on planning and managing cashflow needs
- If care needs are urgent or severe, you may need to consider a move into residential care if you can find a place more quickly – but make sure you have discussed this with the ACAT/ACAS team to ensure they have given approval for both home and residential care
- Ask the ACAT/ACAS team to also approve respite care as this may provide some short-term support while you wait for a home care package to become available
- You may be able to top-up the support that family/friends can provide with services through the Commonwealth Home Support Program.
- If you are already in the National Queue you can gain an estimate of your expected waiting time by logging into your client record using MyGov or by calling the My Aged Care contact centre on 1800 200 422.

Quick facts



This information is of a general nature only and has been provided without taking account of your objectives, financial situation or needs. It does not represent and is not intended to be personal advice. Because of this, you should consider whether the information is appropriate in light of your particular objectives, financial situation and needs. We strongly suggest that you seek professional financial advice before acting.