



RADS simplified in 4 points

One of the first things you come across when moving into residential care is the need to pay for your room. With quoted prices of up to \$2 million, the numbers may send families into panic. However, they can be less frightening if you understand how these fees work and what choices you have.

So, what are the four (4) key points that you need to know?

1. The money will be refunded

Let's start with the name of the fee – refundable accommodation deposit (RAD). This might help you breathe a sigh of relief, because the name is descriptive and highlights that at some point you will get the money back.

For example, if you pay a RAD of \$400,000 when you leave, the \$400,000 is paid back to you or your estate. Only if you allowed the care provider to deduct other fees from this money instead of paying those fees from your bank account, will the amount refunded to you be lower, as you are essentially spending some along the way.

This means you will still be able to pass on an inheritance to your family.

2. Your money is not at risk

If you paid the RAD to an approved provider, the Federal Government will guarantee the repayment of your money. This takes away the risk that your money could be lost.

3. You have time to make choices

When you move in you don't need all the money upfront. You have a choice to pay the lump sum (to "buy" the room) or pay a daily fee (to "rent" the room) or a combination. And you will have 28 days after moving into care to tell the provider which choice you want to make.

If you choose to start with a daily fee you can change your mind at any time and pay all or some of the RAD. If you choose to pay the RAD, you need to stick with this option but the provider needs to give you at least six months to organise your finances to make the payment.

Example: Lorna moves into care in July 2020 and agrees to pay \$300,000 for her room. She could instead choose to pay a daily fee of \$33.70 (at the current interest rate of 4.1%).

4. Your age pension may go up

The money you pay as a RAD won't count in your age pension assets test or in your income test. This means that you might be able to keep or increase the amount of age pension payable to you, especially if you have decided to sell your former home.

Advice is key

Everyone's situation is unique so advice from an adviser accredited in aged care advice is key. The advice needs to look at the full impact on your financial situation as well as map out the flow of money to understand how you and your family may be impacted. Contact us today on **02 6274 0400** to make an appointment.

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