

FEES & CHARGES

A SIMPLE GUIDE FOR NEW RESIDENTS
(EFFECTIVE 20 MARCH 2011)

FEES & CHARGES

Welcome to Maroba. We hope you'll take the time to review our fees and charges policy. With all the changes in recent times, policies have become more complex and we hope this will help you understand the new system better.

Please don't hesitate to speak directly to our Director of Finance & Corporate Services or Accountant for any further assistance. It is important to us that you understand all your financial rights and responsibilities **before** deciding to make Maroba your new home.

An important note to low-income persons.

If you have low income - or even no income other than the pension – you are totally welcome at Maroba. We specifically maintain a fixed minimum number of places for low-income residents. **IF YOU HAVE ASSETS AT OR BELOW \$39,000, YOU WILL NOT BE CHARGED AN ACCOMMODATION BOND OR PERIODIC PAYMENT.**

A. APPLICABILITY

This guide is for all new residents.

B. WHY DO SOME NEW RESIDENTS PAY HIGHER FEES & CHARGES?

1. Fees

Standard residents with total assessable income above \$843.90 per fortnight the Australian Government subsidy paid to Maroba is **reduced** (some residents with higher incomes, including self-funded retirees, will pay lower fees). Maroba charges this lost subsidy back to residents. Maroba gains **nothing** from this “user-pays” initiative. Each extra dollar charged to you in income-tested fees is to offset a dollar reduction in Australian Government subsidy.

2. Accommodation Bonds & Periodic Payments

In addition to fees, residents with sufficient assets may be asked to pay an Accommodation Bond, periodic payment or a choice of both. The Australian Government expects that aged care facilities will charge residents Bonds and periodic payments to create sufficient capital to rebuild/renew/replace our buildings.

Residents with low assets (at or below \$39,000) may be assessed by the Australian Government as ‘fully-supported’. No Bond or periodic payment is chargeable to the resident and the service receives extra daily subsidy for these persons.

Residents with assets up to \$102,544 may be assessed as ‘partially supported’. A reduced Bond or periodic payment is chargeable to the resident and the service receives a reduced extra daily subsidy for these persons.

C. HOW ARE FEES CALCULATED?

1. **Respite Care Residents** pay only \$40.25/day.
2. Most new permanent residents pay the **standard resident contribution** of \$40.25/day plus an Accommodation Bond if you have sufficient assets, plus a small Income-Tested Fee (ITF) if you have sufficient income.
3. A small number of new residents will be "**phased residents**". Phased residents include those who did not receive a full pension increase on 20 September 2009. This includes some part-pensioners and all self-funded retirees. Phased residents pay only \$38.33 per day plus an Accommodation Bond if you have sufficient assets, plus an ITF if applicable.

An ITF applies for many new residents and is calculated at 41.7% of total assessable income over \$843.90 per fortnight for "standard residents"; over \$790.45 per fortnight for "phased residents"; and over \$750.30 per fortnight for "protected residents". The ITF is capped at \$64.69 per day.

Accordingly, for "Standard Residents":

- (i) If you have up to a total assessable income of \$21,941 p.a. including your pension, you will pay no ITF. (Use \$20,551 pa as the threshold for "phased residents" and \$19,507 for "protected residents").
- (ii) You will pay an ITF of 41.7c in the dollar on all income above \$21,941 p.a. (If the ITF is less than \$1.00/day it won't be charged.)

Note that from 20 March 2008, the maximum level of a resident's income tested fee is based on their total assessable income rather than the level of their non-pension income.

4. **Income-Tested Fees**

From 1 January 2010, income-tested fees commence from **date of entry**, or date of start of pre-entry leave, whichever is the earlier.

5. **Transfer from Another Facility**

Income-tested fees do not apply if you have continuously been a permanent resident in any High Care or Low Care service since before 1 March 1998.

6. **Periodic Payments**

Some residents may elect at entry to pay a periodic payment in lieu of, or in part-payment of, an Accommodation Bond lump sum.

D. HOW ARE ACCOMMODATION BONDS CALCULATED?

Bonds are calculated on an asset-tested basis.

If your spouse remains in your home, the home is excluded from the assets test.

If you have had a carer living with you for two years or more and also on an Australian Government benefit or pension, your home is excluded from the assets test.

If you have had a close relative living with you for five years or more, and who is on an Australian Government benefit or pension, your home is excluded from the assets test.

For persons with assets **below** \$389,000, your maximum bond payable is calculated as follows: (Note: The calculation of your assets normally includes \$5,000 for your furnishings and personal effects.)

ASSETS	BOND	“STATUTORY” RETENTION
\$389,000	\$350,000	\$3,690
\$381,000	\$342,000	\$3,690
\$361,000	\$322,000	\$3,690
\$341,000	\$302,000	\$3,690
\$321,000	\$282,000	\$3,690
\$301,000	\$262,000	\$3,690
\$281,000	\$242,000	\$3,690
\$261,000	\$222,000	\$3,690
\$241,000	\$202,000	\$3,690
\$221,000	\$182,000	\$3,690
\$201,000	\$162,000	\$3,690
\$181,000	\$142,000	\$3,690
\$161,000	\$122,000	\$3,690
\$141,000	\$102,000	\$3,690
\$121,000	\$82,000	\$3,690
\$101,000	\$62,000	\$3,690
\$96,000	\$57,000	\$3,690
\$91,000	\$52,000	\$3,690
\$86,000	\$47,000	\$3,690
\$81,000	\$42,000	\$3,690
\$76,000	\$37,000	\$3,690
\$71,000	\$32,000	\$3,200
\$66,000	\$27,000	\$2,700
\$61,000	\$22,000	\$2,200
\$56,000	\$17,000	\$1,908
\$51,000	\$12,000	\$1,908
\$46,000	\$7,000	\$1,908
\$41,000	\$2,000	\$1,908
\$37,000	NIL	NIL

“Statutory” retentions are for a maximum of five (5) years. Your full bond, less any retention or any other amount owing in accordance with your agreement (eg. interest on outstanding bond), is repaid to you or your estate following departure.

Any money placed in Accommodation Bonds is **not** subject to the Centrelink/DVA **income** test. Accordingly, in many instances, you can continue to receive the full pension (or your maximum pension entitlements) after paying an Accommodation Bond. You will also reduce or eliminate any income-tested fee. Accommodation Bonds are also **not** subject to the Centrelink/DVA **assets** test.

It is a requirement of the Provider that no repayment of any part of the Bond will be made to any representative of any deceased resident before a copy of a Grant of Probate, Letters of Administration or a Transfer Indemnity Guarantee from a major insurance underwriter in respect of the resident’s estate is received by the Provider.

E. WHAT ARE PERIODIC PAYMENTS?

Any new resident can **choose** at time of entry to pay an extra fee – called a periodic payment – **in lieu of a bond lump sum**. You are very welcome to do so. This allows you to retain ownership and control of your assets and use income from those assets to pay the extra fee.

Some residents may choose to pay part-lump sum and part-periodic payment. We encourage you to check with your financial advisers as to what option may be best for you.

As an example, if you would otherwise have the assets available to pay a bond of \$350,000, you could have the following choices:

1. Pay the full \$350,000 bond as a lump sum with retentions, or
2. Pay \$224,992 as a lump sum with statutory retention and pay an extra fee of \$30.55/day #, or
3. Pay **no** lump sum and an extra fee of \$95.64/day # (This includes a “statutory retention” component of \$10.11/day).

Using the 1 April 2011- 20 June 2011 Maximum Permissible Interest Rate of 8.92%

A lower interest rate may be used in some circumstances. Please ask for details.

F. TAX REBATEABILITY

The Australian Tax Office advises that the medical expenditure rebate is normally available on all expenditure above \$1,500 p.a. on basic fees, income-tested fees, extra service amounts, accommodation charges, bond “retentions” and periodic payments.

This rebate would generally not be available for persons where the service receives no subsidy for you, either because you are in an unfunded place, or because you have very low or no care needs.

In many cases, this will mean that any tax liability you have could be substantially reduced (please check with your taxation or financial advisers) and may make periodic payments a more attractive option for tax-paying residents.

G. HARDSHIP

If paying any determined fees and charges would cause you financial hardship, you can make an application to the Australian Government for relief.

H. EX-PRISONERS OF WAR

The value of your assets is reduced by any “Japanese/German/Italian & Allies Internment” compensation payment you received.

Thank you for taking the time to read this advice.

ENTRY OPTIONS AND FEES

Based on “Standard Resident” Fees.
(Not applicable to “Phased Resident” Fees.)

Effective 20 March 2011

OPTION 1. LUMP SUM ONLY

FOR PERSONS WITH:	LUMP SUM BOND	STANDARD RESIDENT CONTRIBUTION
Assessed assets above \$500,000	\$350,000	\$40.25
Assesses assets btw \$350,001 and \$500,000	\$300,000	\$40.25
Assessed assets btw \$289,001 and \$350,000	\$250,000	\$40.25
Assessed assets btw \$39,001 and \$289,000	Assessed assets less \$39,000	\$40.25
Assessed assets less than \$39,000	Nil	\$40.25

Note: A “statutory” retention of \$3,690 p.a. for a maximum of five years is withdrawn from bonds above \$36,900. Lower retentions are calculated for bonds of less than \$36,900.

In addition to the Daily Fee, an Income-Tested Fee may be determined by the Australian Government as a “co-payment” towards the cost of your care, **if** you have sufficient income or “deemable” assets.

*Please note that if the full bond is not able to be paid on entry a deposit of at least \$3,000 is payable on entry with the balance payable within 6 months of entry. Interest will be charged from the date of entry on the outstanding balance at an interest rate of **8.92%**. This interest will then be withdrawn from the lump sum payment and will therefore reduce the refund payable on leaving the facility.*

OPTION 2. PARTIAL LUMP SUM PLUS PERIODIC PAYMENTS

Bonds can be paid partly or wholly by periodic payments. For each \$100,000 of assessed bond **not** paid as a lump sum, the periodic payment is \$20.00/day (using a 7.3% p.a. interest rate. This rate has been chosen to give a precise \$20.00/day figure and has deliberately **not** been adjusted to the current MPIR).

“Statutory” retentions can be withdrawn from the lump sum only or paid as a periodic payment or a combination of the two, at your option. (Most people elect for retentions to be withdrawn from the lump sum.)

Note: A retention of \$3,690 p.a. for a maximum of five years is withdrawn from bonds above \$36,900. Lower retentions are calculated for bonds of less than \$36,900.

In addition to the Daily Fee, an Income-Tested Fee may be determined by the Australian Government as a “co-payment” towards the cost of your care, **if** you have sufficient income or “deemable” assets.

Examples on next page:

MAROBA

FOR PERSONS WITH:	LUMP SUM BOND (WITH "STATUTORY" RETENTIONS)	STANDARD RESIDENT CONTRIBUTION PLUS PERIODIC PAYMENT
Assessed assets above \$500,000	\$300,000	\$40.25 <u>10.00</u> \$50.25
	\$250,000	\$40.25 <u>20.00</u> \$60.25
	\$200,000	\$40.25 <u>30.00</u> \$70.25
	\$150,000	\$40.25 <u>40.00</u> \$80.25
	\$100,000	\$40.25 <u>50.00</u> \$90.25
Assessed assets of \$300,000	\$200,000	\$40.25 <u>10.00</u> \$50.25
	\$150,000	\$40.25 <u>20.00</u> \$60.25
	\$100,000	\$40.25 <u>30.00</u> \$70.25
	\$50,000	\$40.25 <u>40.00</u> \$80.25
Assessed assets of \$200,000	\$100,000	\$40.25 <u>10.00</u> \$50.25
	\$50,000	\$40.25 <u>20.00</u> \$60.25

OPTION 3. PERIODIC PAYMENTS ONLY

You can elect to pay only periodic payments and no lump sum. The periodic payment will include a “statutory retention” component for a period of five years. You can elect to change any periodic payment wholly or partly into a lump sum at any time.

You can choose to pay your assessed bond by all periodic payments from your date of entry until you re-arrange your assets (e.g. sell your home) **or** you can choose to pay by periodic payments for your entire stay.

FOR PERSONS WITH:	LUMP SUM BOND	STANDARD RESIDENT CONTRIBUTION PLUS PERIODIC PAYMENT PLUS RETENTION
Assessed assets above \$500,000	Nil	\$40.25 70.00 <u>10.11 #</u> \$120.36
Assessed assets btw \$400,001 and \$500,000	Nil	\$40.25 60.00 <u>10.11 #</u> \$110.36
Assessed assets btw \$300,001 and \$400,000	Nil	\$40.25 50.00 <u>10.11 #</u> \$100.36
Assessed assets btw \$39,001 and \$300,000	Nil	\$40.25 A periodic payment based on a bond of your assessed assets less \$50,000 <u>10.11 #</u> \$
Assessed assets less than \$39,000	Nil	\$40.25

This is the “statutory” retention component payable for a maximum of five years.
 i.e. \$3,690pa / 365 days = \$10.11/day

In addition to the Daily Fee, an Income-Tested Fee may be determined by the Australian Government as a “co-payment” towards the cost of your care, **if** you have sufficient income or “deemable” assets.

OPTION 4. “INTEREST-FREE LOAN-TYPE BONDS”

Residents may elect to pay a higher Bond and have **no** “statutory” retentions withdrawn from the Bond. This effectively makes the Bond an “Interest-free Loan” from you to us for the duration of your stay.

This option is available to persons with assessed assets above \$450,000, who choose to pay a bond of \$400,000 or more.

In addition to the Daily Fee, an Income-Tested Fee may be determined by the Australian Government as a “co-payment” towards the cost of your care, **if** you have sufficient income or “deemable” assets.

Additional money paid as a Bond is **not** subject to Centrelink/DVA income deeming arrangements or asset testing for pension entitlements. Money placed in Bonds is also **not** subject to assessment for Income-tested Fee purposes.

FOR PERSONS WITH:	LUMP SUM BOND	RETENTIONS	STANDARD RESIDENT CONTRIBUTION
Assessed assets of \$500,000	\$350,000	\$3,690 p.a.	\$40.25
Assessed Assets of \$550,000	\$400,000	\$1,845 p.a.	\$40.25
Assessed Assets of above \$600,000	\$450,000	Nil	\$40.25

You should seek assistance from Centrelink or DVA and/or qualified financial advisers in assessing any increased pension entitlement and reduced Income-tested Fees applicable to your financial circumstances if you choose the option of paying higher Bonds.

RESIDENTIAL AGED CARE FACILITIES ADDITIONAL INCOME-TESTED FEE GUIDE (Effective 20 March 2011)

General

This guide is to assist service providers to help **new** residents estimate their likely fees. It is a guide only – individuals may have differing financial arrangements which give outcomes different to this standard guide.

Deeming

Income is assessed using the Centrelink “deeming” rules, **not** actual income, for most financial assets. This may give rise to higher or lower assessed income than a new resident **actually** receives. Accordingly, you should review a resident’s **assets** and determine deemed income, **not** calculate fees on actual income.

Common “deemed” assets include:

- Cash**
- Term Deposits
- Shares

The most common asset which is **not** deemed is a house which is rented. **Actual** income is used, ie. net income after payment of mortgage interest, agent’s commission, rates, insurance, repairs, etc. Alternatively, Centrelink may accept a “statutory” method of using two-thirds of gross rental income as an estimate of net income.

Rules in respect of allocated pensions and annuities vary with each type of investment and need separate review. New rules are being phased in with respect to discretionary family trust arrangements.

Married Couples

Income is normally assessed as a 50:50 split, regardless of any internal arrangements between the married persons. The married income and assets tests are used even though **single** pensions are paid after one partner enters residential care.

Maximum Fees

The basic daily care fee is \$36.74 (“protected” residents), \$38.33 (“phased” residents), \$40.25 (“standard” residents) or \$45.75/day (“non-standard” residents) plus an Income Tested Fee of up to \$64.69/day.

The Income Tested Fee is equal to 41.7% of the care recipient’s total assessable income over a prescribed threshold. For most new residents, this threshold is \$843.90 per fortnight. The Income Tested Fee is capped at \$64.69/day. Persons who are self-funded retirees and some part-pensioners with higher levels of non-pension income will be at "protected" or phased" resident rates and will have ITF thresholds commence at \$750.30/fn or \$790.45/fn, respectively.

Accommodation Supplement

Accommodation supplement is paid for those who cannot meet their accommodation costs. Pensioners and Self-Funded Retirees with few assets will be eligible for accommodation assistance. The maximum of the new supplement from 20 March 2008 is \$30.55.

Tax Rebate

The Australian Tax Office advises that residential aged care daily fees, including respite fees, income-tested fees, extra services fees, accommodation charges, retentions and periodic payments for residents are likely to be assessed as medical expenditure and able to be included in the medical expenses rebate for tax purposes. References: IT261, TR93/14, ID2001/621 and ID2003/360.

This rebate may not be available for persons who are **unfunded** (i.e. occupying an unfunded place in a service) **or** for persons in a service where the service receives no funding for them because their assessment by the service (their ACFI) is “NNN”, meaning no care is funded by the Australian Government.

Many tax-paying residents can expect to substantially reduce their tax liability following entry to a residential aged care facility. In many cases, the tax payable will fall to zero; - only the Medicare levy may be payable.

**INCOME TESTED FEE READY RECKONER
FOR POST MARCH 2008 REFORM RESIDENTS
(EFFECTIVE 20 MARCH 2011)**

A	B	C	D	E	F	G	H
ANNUAL INCOME INCLUDING PENSION*	DAILY INCOME	PROTECTED RESIDENT BASIC DAILY CARE FEE	PROTECTED RESIDENT INCOME TESTED FEE	PHASED RESIDENT BASIC DAILY CARE FEE	PHASED RESIDENT INCOME TESTED FEE	STANDARD/NON-STANDARD RESIDENT BASIC DAILY CARE FEE	STANDARD/NON-STANDARD RESIDENT INCOME TESTED FEE
(\$)	(\$)	(\$)	(\$)			(\$)	(\$)
15,000	41.09	36.74	Nil	38.33	Nil	40.25	Nil
16,000	43.83	36.74	Nil	38.33	Nil	40.25	Nil
17,000	46.57	36.74	Nil	38.33	Nil	40.25	Nil
18,000	49.31	36.74	Nil	38.33	Nil	40.25	Nil
19,000	53.67	36.74	Nil	38.33	Nil	40.25	Nil
20,437	55.99	36.74	1.00	38.33	Nil	40.25	Nil
21,483	58.86	36.74	2.20	38.33	1.00	40.25	Nil
22,877	62.68	36.74	3.79	38.33	2.59	40.25	1.00
25,000	68.49	36.74	6.21	38.33	5.02	40.25	3.42
30,000	82.19	36.74	11.92	38.33	10.73	40.25	9.14
35,000	95.89	36.74	17.64	38.33	16.44	40.25	14.85
40,000	109.59	36.74	23.35	38.33	22.15	40.25	20.56
45,000	123.29	36.74	29.06	38.33	27.87	40.25	26.27
50,000	136.99	36.74	34.78	38.33	38.55	40.25	31.99
55,000	150.68	36.74	40.48	38.33	39.29	40.25	37.70
60,000	164.38	36.74	46.20	38.33	45.00	40.25	43.41
65,000	178.08	36.74	51.91	38.33	50.71	40.25	49.12
70,000	191.78	36.74	57.62	38.33	56.43	40.25	54.84
72,000	197.26	36.74	59.91	38.33	58.71	40.25	57.12
76,180	208.71	36.74	64.69	38.33	63.49	40.25	61.89
77,231	211.59	36.74	64.69	38.33	64.69	40.25	63.10
78,625	215.41	36.74	64.69	38.33	64.69	40.25	64.49
80,000	219.18	36.74	64.69	38.33	64.69	40.25	64.69

* Based on the Pensioner Threshold of \$750.30/night for Protected Residents; \$790.45/night for Phased Residents and \$843.90/night for Standard/Non-Standard Residents.

Disclaimer

James Underwood & Associates Pty Ltd, its directors and staff accept no responsibility whatsoever for any loss of any type occasioned by any act or omission undertaken in reliance of this reference package.

THE CENTRELINK/DVA ASSETS TEST READY RECKONER

(EFFECTIVE 20 MARCH 2011)

SINGLE NON-HOMEOWNER ASSETS TEST			
ASSETS		PENSION (INCLUDING TOTAL PENSION SUPPLEMENT) F/NIGHT	
Up to	\$ 313,250		\$729.30
	\$ 320,000		\$719.18
	\$ 330,000		\$704.18
	\$ 340,000		\$689.18
	\$ 350,000		\$674.18
	\$ 360,000		\$659.18
	\$ 370,000		\$644.18
	\$ 380,000		\$629.18
	\$ 390,000		\$614.18
	\$ 400,000		\$599.18
	\$ 410,000		\$584.18
	\$ 420,000		\$569.18
	\$ 430,000		\$554.18
	\$ 440,000		\$539.18
	\$ 450,000		\$524.18
	\$ 460,000		\$509.18
	\$ 470,000		\$494.18
	\$ 480,000		\$479.18
	\$ 490,000		\$464.18
	\$ 500,000		\$449.18
	\$ 510,000		\$434.18
	\$ 520,000		\$419.18
	\$ 530,000		\$404.18
	\$ 540,000		\$389.18
	\$ 550,000		\$374.18
	\$ 560,000		\$359.18
	\$ 570,000		\$344.18
	\$ 580,000		\$329.18
	\$ 590,000		\$314.18
	\$ 600,000		\$299.18
	\$ 610,000		\$284.18
	\$ 620,000		\$269.18
	\$ 630,000		\$254.18
	\$ 640,000		\$239.18
	\$ 650,000		\$224.18
	\$ 660,000		\$209.18
	\$ 670,000		\$194.18
	\$ 680,000		\$179.18
	\$ 690,000		\$164.18
	\$ 700,000		\$149.18
	\$ 730,000		\$104.18
	\$ 750,000		\$74.18
	\$ 770,000		\$44.18
	\$ 799,500 & THEREAFTER		NIL

INFORMATION SHEET – “BONDS EXEMPT FROM THE ASSETS TEST”

- 1. ACCOMMODATION BONDS EXEMPT FROM CENTRELINK/DVA ASSETS TEST FROM 1 JULY 05**
- 2. BONDS TRANSFERABLE FOR HIGH CARE ADMISSIONS**

1. Accommodation Bonds (“Bonds”) became no longer considered as “assets” for the Centrelink or DVA Assets Tests from 1 July 05. This means that single pensioners who sell their homes after entering our service will **not** automatically have a pension reduction when the proceeds from the sale of the house plus their other assessable assets exceed \$313,250.

By paying a sufficiently large Bond to us, you may be able to ensure you have **no** Assets Test pension reduction.

Bonds are also not “deemable assets”, so no “Income Test” pension reduction or income-tested fee is assessed on Bonds.

Many new residents may wish to place larger amounts of the proceeds of sale of their home into Bonds. We strongly recommend speaking with a financial adviser to assess your pension entitlements and best options.

2. To assist hostel residents transferring to nursing homes to maintain pension entitlements, many services agree to accept **transfer** of larger Bonds.

IMPORTANT NOTE:

We are not able to offer you financial advice or to advise you on your best options. It is recommended that you seek independent financial advice and/or call Centrelink on 132300 (or DVA on 133254) before making any decisions on Bonds.

Manager
March 2011

ACCOMMODATION BONDS EXEMPT FROM CENTRELINK ASSETS TEST

“A POSITIVE CHANGE FOR CONSUMERS AND AGED CARE SERVICE PROVIDERS”

THE CHANGE

Previously, amounts paid as Accommodation Bonds (“Bonds”) were assessed as “assets” for the Centrelink and DVA Assets Tests. From 1 July 05, Bonds are no longer considered as “assets”.

This means that many pensioners who elect to sell their home to pay a Bond after entering a residential aged care service may not suffer a pension reduction when the sale proceeds of their house plus their other assessable assets exceed the “Asset Test Threshold”.

The Assets Test **begins** for a single pensioner – who sells their home – at \$313,250 and pensioners lose \$1.50/wn of pension for each \$1,000 of assets above \$313,250. That pensioner loses **all** pension entitlements if their assessable assets exceed \$799,500.

By paying a sufficiently large Bond, part-pensioners may be able to actually increase their pension entitlement.

Bonds are also not “deemable assets”, so no “Income Test” pension reduction or Income-Tested Fee is assessed on Bonds.

Bonds, in all their forms of payment, may accordingly become a strongly preferred consumer option in the aged care sector.

TRANSFERRING BONDS

To assist hostel residents who are transferring to a High Care service to retain their pension entitlements, service providers should be more willing to agree to accept **transfer** of larger Bonds to the nursing home than has been the case in the past.

RENTING THE HOME

A further change is where a resident retains their home and rents it out and uses part or all of that rent to pay a Bond by periodic payments. The rental payments are not assessed as “income” for the Centrelink Income Test **and** the value of the home is excluded from the Assets Test for the entire time the house is rented out and a periodic payment is paid. (Prior to 1 July 05, the home was only excluded from the Assets Test for a maximum of two years for new Low Care residents.)

EFFECTS ON THE INDUSTRY

This change should be of great benefit to services that can take Bonds. New residents may **want** to pay Bonds to retain pension entitlements. High Care services that can offer Bonds may be at an advantage. (Extra services approvals can be expected to be sought for that proportion of a service’s places that caters for non-concessional persons.)

Services with “retirement village” style Low and High Care places – where funded care is offered in one or two bedroom units – will be able to offer the same exemption from the Assets Test that is available to retirement village entrants. This may give rise to more **flexible** and **innovative** accommodation options.

Larger periodic payments or extra services fees can potentially be used to mirror the higher exit fees or “deferred management fees” normally budgeted for in retirement village contracts.

FINANCIAL ADVISING

With these improved arrangements and flexibility will come more complex decision making for persons entering residential aged care:

- to keep the home or not;
- to pay a Bond by a reverse mortgage on the home;
- to seek to pay a Bond partly or fully by periodic payments;
- to seek to have periodic payments withdrawn in part from the lump sum; etc.

Many services offer higher Bonds with **no** “retentions”. Others waive the standard fee when a large Bond is paid. Are these forgone retentions or waived fees assessed as “income” for the Centrelink/DVA Income Test?

Services should ensure that they do **not** get drawn into providing **any** financial or investment advice. Prospective or new residents should be clearly advised to seek independent financial advice and/or contact Centrelink or DVA to determine the financial impact of the Bond and fee arrangements offered by a service.

EXAMPLES

The two examples following show how a pensioner could greatly benefit from these 1 July 05 changes and underline the additional pension a person may receive after paying a higher Bond (**and** there is no Income-Tested fee on the money placed in Bonds).

The examples assume the resident has no “non-pension” income other than deemed income on the deable assets shown. The pension rates include the Pharmaceutical Supplement. Examples on next page.

**EXAMPLE ONE – SELL HOME FOR \$650,000
SINGLE PENSIONER WHO PAYS A \$150,500 ACCOMMODATION BOND.**

Proceeds of Sale of Home	\$650,000
Plus: Other Assessable Assets	\$30,000
Total Assessable Assets	\$680,000
Less: Accommodation Bond	\$150,500
Net Assessable Assets for Assets Test	\$529,500
Net Deemable Assets for Income Test	\$529,500
Pension Calculation using Assets Test	\$404.93 f/n
Pension Calculation using Income Test	\$356.54 f/n
Projected Pension Entitlement	\$356.54 f/n

**EXAMPLE TWO – SELL HOME FOR \$650,000
SINGLE PENSIONER WHO PAYS A \$350,000 ACCOMMODATION BOND.**

Proceeds of Sale of House	\$650,000
Plus: Other Assessable Assets	\$30,000
Total Assessable Assets	\$680,000
Less: Accommodation Bond	\$350,000
Net Assessable Assets for Assets Test	\$330,000
Net Deemable Assets for Income Test	\$330,000
Pension Calculation using Assets Test	\$704.18 f/n
Pension Calculation using Income Test	\$529.19 f/n
Projected Pension Entitlement	\$529.19 f/n

FREQUENTLY ASKED QUESTIONS

1. What is a Bond?

The Bond is an asset-tested contribution towards the cost of your accommodation that is agreed at time of entry. Paying a Bond may allow you to continue to receive your highest pension entitlements because Bonds are exempt from the Centrelink or DVA Assets Test. A 'retention' of up to \$3,690 p.a. is retained by us for up to five years. A Bond can be paid as a lump sum or as a periodic payment or as a combination of the two.

2. What is a Periodic Payment?

You may elect to pay an increased daily fee which is known as a periodic payment instead of paying all or part of your Bond as a lump sum to us. This is **interest** on the balance of any unpaid Bond amount and may also include the monthly retention. You may choose to subsequently pay the balance of your Bond as a lump sum at any future time. (No periodic payments would then be required.)

We recommend you speak with your financial advisers as to whether it is best to pay your Bond by lump sum, periodic payment or a combination of the two.

3. What are income-tested fees?

Income-tested fees are government-assessed "co-payments" towards the cost of your care, if you have sufficient income. This fee is **in addition to** your standard fees. Standard residents will pay income-tested fees at 41.7c in the dollar on all income above \$21,941 (less if a "protected" or a "phased resident".) "Protected" or "Phased" residents include those who did not receive a full pension increase on 20 September 2009. This includes some part-pensioners and all self-funded retirees. If the income-tested fee is less than \$1.00/day, it won't be charged. There are no income-tested fees on money held in Bonds, so paying larger bonds may keep your fees lower.

4. What if I have enough assets to afford the Bond but not enough regular income to pay the full monthly fees?

We acknowledge that some people have significant assets but limited income – "asset rich, but cash poor". Subject to means-testing of your capacity to pay, we may allow you to "draw down" part or all of any periodic payments or income-tested fees from your Bond.

5. If I pay tax, will the Medical Expenses Rebate reduce my overall cost?

If you have sufficient income to be currently paying tax, your tax assessment can be reduced because your payments to us may be tax-rebateable. Payments made to us may qualify for a taxation rebate provided we receive the same level of Australian Government recurrent subsidy for you. You should speak with your tax adviser.

Eligible expenditure for the rebate includes: daily fees; income-tested fees; extra services fees; accommodation charges; retentions; and periodic payments. The Medical Expenses Tax Rebate is 20% on eligible expenditure above \$1,500p.a.

Following the commencement of you paying aged care fees, the tax payable for many residents may be reduced or cease totally. (The Medicare Levy may still be payable.) If you receive a superannuation pension from which tax is withdrawn, you could speak to your financial adviser about having this adjusted following entry.

6. If I keep my home, and rent it out to provide income to pay a periodic payment, what are the Centrelink rules?

If you keep your home, it is automatically exempt from the Centrelink/DVA Assets Test for two years after you enter a residential aged care service. After two years, your pension will be *normally* re-assessed under the “non-homeowners assets test” with the value of your home **included** as an asset.

However, your home is **exempt** from the Centrelink/DVA Assets Test for as long as you rent it out to pay a full **or partial** periodic payment in lieu of a full Bond lump sum. In addition, the rent you receive is excluded from consideration in the Centrelink/DVA Income Test for pension entitlements and from income-tested fee calculations.

The best option will vary from person to person depending on your financial circumstances. Independent financial advice is strongly recommended.

7. Can I convert part of a lump sum Bond into a periodic payment?

Yes, you can, subject to the agreement of the service provider. Even if you paid all of your bond as a lump sum some time ago, you can ask for some or all of the bond to be changed to a periodic payment now.

8. Can I transfer my Bond if I move to a nursing home (in lieu of paying an accommodation charge)?

Many nursing homes (High Care services) welcome the transfer of higher Bonds (e.g. in excess of \$100,000) when a person transfers from a hostel (Low Care service) to a nursing home.

9. Can I place additional money into a Bond to maximise my pension entitlements?

Either at time of entering the service or afterwards, you may negotiate to pay a higher Bond. Negotiating higher bonds should be associated with an improvement in accommodation, eg agreeing to move to a larger / better room. We may be able to waive part or all of Bond retentions if you elect to pay higher Bond amounts. You may also be able to increase entitlements and/or decrease your income-tested fees by paying additional Bonds (check with Centrelink or your financial adviser)

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