Prepare FOR LIFE

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australian national consulting

Aged Care

Too Many Questions

NOT ENOUGH TIME

From 1 July 2014, a person entering an aged care facility has 28 days to decide how they are going to pay the Refundable Accommodation Deposit (RAD) – do they pay the total amount or pay part of the RAD as a Daily Accommodation Payment (DAP)?

You may be asking, if I pay the full RAD won't this increase my Means Tested Care Fee (MTCF)? The short answer is yes it will, but it will also increase your age pension if you qualify for any part of the age pension.

Do I sell my home and invest the proceeds to ensure that I am able to cover all my costs? Am I better off investing most of the proceeds from the sale of my house and only paying part of the RAD and then a DAP? If I don't sell my home and decide to rent what will the effect be on my aged care fees and my age pension? If I don't sell my home and don't rent it how will this affect my age pension and my aged care fees?

Case Study

Shirley is a widow in her mid-80s and owns her $450,000 home. She has a number of term deposits worth a total of $100,000 and is in receipt of a full age pension.

Shirley never believed she may need to enter aged care, she was healthy and lived an active and full life, but unfortunately after a fall that is exactly the prospect she faced – an aged care residence with a RAD of $300,000. She must now come up with answers to all the questions that we have asked to ensure that she makes the best decision.

1. She could keep the home and not rent it, for the purposes of calculating her MTCF it would have a capped value of $154,179 and it would be exempt from the assets test for age pension calculation for a period of two years.

   Shirley could pay a $50,000 RAD and the balance owed could be paid as DAP. Her MTCF would be low in this case ($2.90 per day), however as the balance owing on the RAD is $250,000 (which is subject to an interest rate of 6.69%) her DAP would be $45.94 per day. Total fees would be the basic fee, MTCF and the DAP - $95.34.

   Shirley would be far better off to rent her house and her aged care fees would remain the same. The additional income she does receive from the rent does not affect her aged care fees or her age pension as she is paying a DAP and the cash flow issues would be resolved.

2. Two matters stand out in Shirley's case. Firstly, she is receiving an age pension. The RAD is not assessable for the purposes of calculating her pension entitlements. If she only pays a part of the RAD, any monies which she retains and invests (depending on the amount) could reduce her pension entitlement.

   Secondly, any money she happened to invest would have to return better than 6.69% which is the interest rate applicable to any outstanding RAD.

   In the current environment, a one year term deposit is not even returning 4% and the possible increase in her age pension could amount to a further 1.7%.

Aged care is a very complex issue and requires the assistance of an expert if you are to make all the right decisions for either yourself or a loved one – contact us today so we can help you further.

Source | Mark Teale
Centrepoint Alliance

GETTING YOUR PERSONAL FINANCES UNDER CONTROL

"Annual income £20, annual expenditure £19/19/6; result happiness

Annual income £20, annual expenditure £20/0/6; result misery"

Charles Dickens – David Copperfield

Australians are typically very good at spending money. Give me $1.00 and I will spend $1.10, thanks to easy access to credit (often in the form of a credit card).

But there comes a time when the need to exercise some personal financial constraint becomes necessary. This may arise as a result of the loss of a job, reduction in income, starting a family, or getting a mortgage and educating children. For some, the need to get our personal finances under control is simply because we have let our debt get out of control.

Being out of control of our personal finances can often lead to depression, fear, anger and more often than not, we just might not be a nice person to be around.

However, there is hope. We can get off the debt ridden treadmill and get our financial lives in order. The difficult question is HOW?

An old lesson

Back in 1926, American publisher George S. Glasson published the first in a series of articles on achieving financial prosperity. These articles culminated in the publication of his famous book, 'The Richest Man in Babylon'. The book is still readily available today both in print and electronic format. It is easy to read and is still as relevant today as it was when it was first published in the early 20th Century.

The seven key messages:

Pay yourself first – set aside part of every dollar you earn. Ideally you should look to save 10% of everything you earn. This money is not being saved to buy a new car, have a holiday, or even buy a house. It is being put away for the long term and will be used to provide an income when we are no longer able to work. For some, making additional contributions to superannuation may be an ideal way of saving the extra 10%. If you can't afford to save 10%, then start by saving some small part of your income and gradually increase it. Ideally we should be aiming to live off 90% or less of our income. This may take a little time to achieve.

Manage expenses – we all have expenses that need to be met in order to live, including food, housing, clothing and transport. But many of us spend unnecessarily on "other stuff". This is what we call discretionary spending and it often consumes most, if not all, of our surplus income. Start by setting a budget of known fixed costs, and then allow for some discretionary spending. Look back over past bills and identify your fixed expenses. Bills for fixed expenses often arrive at irregular intervals. A phone bill might arrive once each month or once each quarter, but you might be paid weekly or fortnightly. Expenses should be totaled for a full year, and then divided by the number of pay days to work out how much needs to be set aside out of each pay to cover bills as they arise.

Grow your wealth – now that you have started saving a part of every dollar you earn, you should look to having it grow in value. The investment earnings achieved should be added to your growing pool of savings.

Protect your capital – in order to protect our savings from loss, care must be exercised to ensure the security of our principal. Before investing, understand the associated risks and, if the risk is unacceptable, look for a more suitable alternative. Take advice from a suitably qualified expert. There are many good investment savings plans that allow small amounts to be saved on a regular basis while providing access to a wide range of investment options including fixed income, shares, property and overseas investments.

Invest in your home – owning your own home provides security for you and your family and home ownership is the aspiration of most Australians. Home ownership also delivers favourable tax concessions in that any gain we achieve on the sale of our home is generally exempt from tax. It therefore makes sense to maintain and improve our home, within reason and without overcapitalising, to ensure we maximise the price we can achieve when we eventually sell.

Protect yourself and your assets – we all understand how important it is to insure our possessions, be it our home and its contents, our car and the like. But how many of us have adequate insurance on our life and our ability to earn? We should seek the advice of a qualified professional adviser to ensure that we are adequately insured against events that might rob us of our life, or our ability to earn. Yes, you can insure your future income.

Invest in yourself – one way of building wealth is to increase our capacity to earn. To achieve this is to be willing, irrespective of our age, to increase our knowledge and skills through continuing education and training. Many people expect their employer to provide additional training. However we should take personal responsibility for increasing our knowledge and experience by investing our time and money in undertaking suitable training that enhances our opportunity to increase our earnings over time.

Taking control of our financial future takes time and discipline. It will involve making some hard decisions but if we make a plan and stick to it, over time it will become a habit and will deliver financial security and prosperity.

For many people, having a coach or a guide to whom we are accountable will keep us on track and provide the impetus to keep going, even when times are tough. A financial planner can fulfil this role so if you need any help with making a plan for your future, contact us today.

Source | Peter Kelly
Centrepoint Alliance

MEETING YOUR FUTURE LIFESTYLE NEEDS

Whether you are at the beginning of your working life, well established, or already enjoying your retirement, professional financial advice can make a difference when it comes to achieving your financial goals and meeting your future lifestyle needs.

Through your financial adviser, you can take advantage of a range of financial planning services which include:

- Investment advice to meet your individual needs, including where to find the best value investments and how to make your savings work harder and build security for your future.
- Buying and selling shares.
- Investment opportunities.
- Superannuation advice to earn more from your super investments and make sure you reach your retirement goals.
- Retirement income advice to maximise your earnings, minimise tax, secure any social security entitlement, and preserve your standard of living in retirement.
- Final advice about products that will provide flexible portfolio administration, taking care of all the paperwork and tax calculations.
- Wise investment of an inheritance, redundancy payment or other lump sum.
- Insurance and estate planning guidance.

Your financial adviser can assess your individual circumstances, prepare a personal financial plan to help you achieve your financial objectives, develop an investment strategy and suggest a range of quality investments that will suit your present and future needs.

Source I IOOF

Tax advice matters

Tax advice forms an integral part of any financial plan as an optimum plan will always have the imbedded aim to optimise the fine balance between minimising your tax position and freeing up the maximum benefit available for you. Therefore, the tax implications of any recommendations are at the core of our considerations in nearly all aspects of our financial advice process.

In many cases we work together with your accountant to provide the best solution for you and will continue to do so. To supplement, we have taken necessary steps to become a tax agent and register as members of the Tax Practitioner's Board.

Under the requirements of the Tax Practitioner Board it will be essential for us to meet ongoing professional development requirements to demonstrate our knowledge of Australian taxation system.

Overall, I believe our association with the Tax Practitioner Board will give you the confidence that the tax advice you receive from us as part of your financial plan is provided according to the highest professional standard.

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Contact your local office for further information:

The finest compliment we can receive is a referral from our family and friends.

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