Aged care and retirement living toolkit
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Note: All rates and figures are current as at January 2011.
Aged care in Australia

With an increasing proportion of the ageing population entering into the aged care bracket, the demand for advice continues to grow. There is an opportunity for you to provide expert advice to the baby boomer generation born between 1946 and 1966 who will be entering the over 65 age group between 2011 and 2031.

At present, 13.5% of the population (approximately 3 million people) is aged 65 years or over in Australia, and this is expected to increase to 22.7% over the next 40 years.  

For some of these ageing baby boomers, it may mean looking into alternative accommodation such as aged care homes and other care arrangements.

Looking into the costs and legislation associated with moving an elderly person into care can be quite complex and requires careful financial planning.

Topics such as accommodation needs, fees and charges, nursing home and hostel assessments, taxation, estate planning and pensions are important aspects your clients need to consider.

The Aged care and retirement living toolkit provides easy-to-use materials to assist you in implementing effective strategies to help your clients achieve their desired retirement lifestyle.

It contains:

Adviser brochure
This guide covers the frequently asked questions surrounding aged care and possible strategies. Technical bulletins are referred to as a further resource.

Sales support materials
There are materials available to support you in marketing these opportunities to clients:

- Client flyer – outlines aged care issues and directs your clients to seek advice.
- Approach letter for facilities – a direct mail letter to market your services to specific aged care facilities in your local area.
- Editorial – a press ready article to market your services in your local area.
- Client presentation – a presentation with speaker notes for you to present at client seminars.
- Aged Care technical calculator – calculates aged care fees and charges. This includes basic care fee, income tested care fee and accommodation charge. The calculator also provides social security entitlements.
- Technical bulletins
  - TB03: Social security: Granny flat rights – examines how to establish a granny flat right and the legal, tax and estate planning implications to consider.
- TB04: Social security: Retirement villages and sale leaseback residences – looks at the legal considerations and how Centrelink will assess the fees and payments paid for entry, the treatment of the former principal place of residence and if a client is entitled to Rent Assistance.
- TB07: Aged care and the former home – looks at the options available to new aged care entrants when it comes to their former home. Examines social security assessment, taxation and a number of other factors.
- TB15: Estate planning: Wills – considerations when preparing or reviewing a Will.

Aged care and special residence fact sheet: 1 January to 31 March 2011 – the current fees, charges, rates and thresholds relating to aged care facilities, granny flats, retirement villages and sale leaseback arrangements.


Accessing sales support materials:

- download via Adviser Advantage Sales Support pages
- contact your OnePath Business Development Manager for copies of all sales support materials.

Access updated versions of this document as legislation changes from the Aged care Sales Support page on Adviser Advantage.
The financial planning process

As an adviser, you can provide assistance to older clients who plan to enter into aged care accommodation. When creating a financial plan for older clients, it is important to consider their lifestyle objectives. You should determine what type of residential arrangement will suit your client’s short or long-term needs. There are quality private or Government-funded aged care homes through to a wide range of schemes that give your clients a chance to live in their own homes and maintain their independence. Different types of care facilities are available, such as low-level care places for clients who require some help with mobility and high-level care for clients who need 24-hour nursing care.

For example, people entering into retirement villages are generally motivated by the lifestyle change. Retirement villages offer different accommodation, amenities, and recreational and social activities for their residents. Proximity to family and friends may also be a consideration.

Adviser opportunities

There is an opportunity to obtain a fee for service for:

• organising an Aged Care Assessment Team (ACAT) assessment for your clients
• finding accommodation to suit your clients
• working out the accommodation fees and charges
• using strategies to lower fees
• investing in bonds on behalf of a hostel
• providing advice on social security entitlements.

Client opportunities

Your clients will benefit from advice on:

• what entering an aged facility will involve
• structuring their income and assets
• understanding and reducing the accommodation fees (the fees and charges are complicated and vary according to circumstances)
• their estate planning needs (Wills, Power of Attorney, death benefits).

Target market

• Individuals and clients over 65 years of age
• Pre-retiree and retiree clients with affected parents or loved ones.
Aged care and retirement living frequently asked questions (FAQs)

The following questions and answers provide general information and guidance when considering your clients’ aged care residential options. Topics include aged care accommodation such as granny flats, hostels, nursing homes and retirement villages.

Where more information is available, you will be directed to the relevant technical bulletin.

1. What are my client’s options relating to residential aged care?

The different accommodation options available are tabled below together with references to more technical information:

<table>
<thead>
<tr>
<th>Residential option</th>
<th>Technical item number</th>
<th>Title</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nursing homes and hostels</td>
<td>TBs 74-78</td>
<td>Introduction to aged care, hostels, nursing homes, aged care and the former home, aged care and fee reduction strategies.</td>
</tr>
<tr>
<td>Granny flat rights</td>
<td>TB 03</td>
<td>Social security: Granny flat rights.</td>
</tr>
<tr>
<td>Retirement villages</td>
<td>TB 04</td>
<td>Social security: Retirement villages and sale leaseback residences.</td>
</tr>
<tr>
<td>Fees, charges and thresholds</td>
<td>–</td>
<td>Aged care and special residence fact sheet: 1 January to 31 March 2011.</td>
</tr>
</tbody>
</table>

2. Where can my client access more information relating to residential aged care?

The Department of Health and Ageing provides information relating to residential aged care at health.gov.au or phone 1800 500 853.

Commonwealth Carelink Centres are information centres for older people, people with disabilities and those who provide care and services. Centres provide free and confidential information on community aged care, disability and other support services available locally, interstate or anywhere within Australia. Refer to their website commcarelink.health.gov.au or phone 1800 052 222.

A number of websites are available for senior Australians to access information relating to all residential options for the ageing. For retirement villages, contact the Retirement Village Association at rva.com.au or phone 1800 240 080. This website provides general information relating to selecting what retirement village suits your client’s needs, as well as the questions they should ask themselves and a list of accredited villages. Another website for retirement villages is seniorlivingonline.com.au or phone 02 8230 2424 (voicemail only). This website provides comparison services, useful information guides your client can download and a free online departure fee calculator.

Another retirement living option is granny flat accommodation. This is where a person transfers assets, usually to a family member, in exchange for life accommodation.

In relation to granny flat rights, it is always highly recommended that clients seek advice directly from Centrelink before finalising any arrangement.

3. What is the Aged Care Assessment Team (ACAT)?

ACAT is a team of health professionals who provide information, advice and assistance to older people who are having difficulty living on their own. The ACAT assessment will determine what level of care your client requires and also provides a list of recommended facilities in their chosen area.

In order to move into a hostel (low care) or nursing home (high care), including extra services facilities, your client needs to be approved eligible by the ACAT. If the ACAT assessment results in no formal aged care residential requirements, then they can arrange community care in the client’s own home.

A doctor, health centre or local hospital can provide a referral to the ACAT, or your client can contact ACAT directly at the Commonwealth Carelink Centre on 1800 052 222.

Retirement villages or establishing a granny flat right with a trusted family member may be suitable alternatives if the client does not need or want to enter an aged care facility.
4. What fees are associated with the different accommodation options?

<table>
<thead>
<tr>
<th>Granny flats</th>
<th>Retirement villages</th>
<th>Hostels</th>
<th>Nursing homes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consideration costs can include building costs, transfer of title of home and/or assets. Additional costs for food, cleaning and care can be negotiated.</td>
<td>The entry contribution is the amount paid on entry to a village. Ongoing fees relating to service fees, meals and maintenance may also apply. A departure fee (e.g. deferred management fee) may apply on exiting the village and it is normally calculated using the capital gain on the resale value.</td>
<td>An accommodation bond may be payable based on the amount of assets at the time of entry and may be paid via periodic payments and/or lump sum. An annual retention amount may be deducted from the accommodation bond for a maximum of five years. Daily and income tested fees may also apply.</td>
<td>An accommodation charge may be payable based on the amount of assets at the time of entry. Daily and income tested fees may also apply.</td>
</tr>
</tbody>
</table>

5. How is my client’s home treated by the aged care facility and Centrelink/DVA?

On entry to a hostel or nursing home, the client’s principal residence is assessed as an asset by the facility to calculate an accommodation payment (i.e. bond or charge). The home is not counted as an asset for the purpose of calculating the accommodation payment if:

- a carer, who is eligible for an income support payment, has lived in the house for at least two years
- a close relative, who is eligible for an income support payment, has lived in the house for at least five years.

For Centrelink/DVA purposes, the home is an exempt asset:

- for up to two years from the date the aged care resident leaves the home or the date the last member of the couple leaves the home
- if the aged care resident’s spouse still lives in the home
- while the accommodation charge or periodic accommodation bond payments are payable and the home is rented. Rental income is also exempt under these circumstances.

While the home is an exempt asset for Centrelink/DVA purposes, the aged care resident is treated as a homeowner. The aged care resident is treated as a non-homeowner if the former home is sold.

If a client enters into a granny flat agreement or a retirement village, the entry contribution is assessed by Centrelink/DVA to determine whether the client is treated as a homeowner or a non-homeowner.

If the entry contribution is greater than the extra allowable amount, the resident is treated as a homeowner and the entry contribution is not assessed under the assets or income tests. However, if the amount is less than or equal to the extra allowable amount, the resident is treated as a non-homeowner. In this case, the entry contribution is assessed under the assets test but not subject to an income test.

Refer to the Aged care and special residences technical fact sheet for details relating to the extra allowable amount.

6. Is the accommodation bond refundable?

Yes, the accommodation bond less the retention amount (for each month the resident has resided in the hostel for up to a maximum of five years) is returned to the person upon exiting the facility, or paid to the estate if the person has died. If the client is moving from one hostel to another, or from a hostel to a nursing home there are special rules that are applied.
7. Is it possible to pay a larger accommodation bond in exchange for a reduction in fees?
Yes, some hostels may accept a larger accommodation bond and provide a discount on other fees. However, there is no legal requirement for the hostel to do so. Any arrangement will be purely voluntary and by direct negotiation. The discount may relate to any of the aged care fees payable.

A typical arrangement is where the hostel accepts a larger accommodation bond than usual and does not deduct a ‘retention amount’. The retention amount is currently a maximum of $307.50 per month ($3,690 p.a.) for a maximum of five years. As the accommodation bond is assets test exempt, an increase in the Age Pension may result if your client is assets tested. This type of arrangement has the potential for savings and/or an increase in Age Pension for the client. However, it is important to ‘do the sums’ taking into account any potential lost earnings compared to the discounted fees and increased pension entitlement.

The following case study is from Technical bulletin 78 which relates to this scenario:

Case Study:
Ronin (age 75) is a single part-rate age pensioner and non-homeowner. He has been assessed as requiring low care and has selected a hostel which charges a $250,000 accommodation bond. Ronin is currently assets tested and has the following:

<table>
<thead>
<tr>
<th>Asset</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank accounts</td>
<td>$500,000</td>
</tr>
<tr>
<td>Managed funds</td>
<td>$90,000</td>
</tr>
<tr>
<td>Personal effects</td>
<td>$10,000</td>
</tr>
<tr>
<td>Total</td>
<td>$600,000</td>
</tr>
</tbody>
</table>

As such, his age pension payable is $7,435.35 p.a.

After paying the $250,000 accommodation bond, Ronin’s assets will reduce to:

<table>
<thead>
<tr>
<th>Asset</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank accounts</td>
<td>$250,000</td>
</tr>
<tr>
<td>Managed funds</td>
<td>$90,000</td>
</tr>
<tr>
<td>Personal effects</td>
<td>$10,000</td>
</tr>
<tr>
<td>Total</td>
<td>$350,000</td>
</tr>
</tbody>
</table>

His age pension entitlement increases to $13,190.60 p.a.

Ronin has been offered a deal whereby he pays a larger accommodation bond of $325,000 (i.e. $75,000 more) in exchange for a 100% discount on the retention amount. This equates to an annual saving of $3,690 with a maximum saving of $18,450 over five years.

Assuming Ronin is currently receiving a return of 6% p.a., the loss of income on the $75,000 is $4,500 p.a.

After paying a $375,000 accommodation bond, Ronin’s assets will reduce to:

<table>
<thead>
<tr>
<th>Asset</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank accounts</td>
<td>$175,000</td>
</tr>
<tr>
<td>Managed funds</td>
<td>$90,000</td>
</tr>
<tr>
<td>Personal effects</td>
<td>$10,000</td>
</tr>
<tr>
<td>Total</td>
<td>$275,000</td>
</tr>
</tbody>
</table>

This increases his pension entitlement to $14,878.10 p.a.

While Ronin is losing a potential $4,500 p.a. in interest, he is saving $3,690 p.a. in retention fees and receives an increase in age pension of $1,687.50 p.a., the total benefit being $5,377.50 p.a. This means that Ronin is potentially $877.50 p.a. better off in year 1 with this deal.

**Conclusion**

This type of arrangement has the potential for savings. That said, the low deeming rates currently applied by Centrelink and the DVA have made this strategy less effective. Should the deeming rates rise, this will change.

Note that there is no requirement for a hostel to offer this type of arrangement. It is simply a matter of approaching the care facility to see if a deal can be struck.

8. What questions should my clients ask when researching aged care homes?

- What is the ratio of staff to residents? Are they trained nurses or care assistants?
- Which services cost extra?
- Does the home provide palliative care?
- Do residents have choice in daily life?
- Try to talk to residents and their families. Are they comfortable speaking up at home meetings? Consumer input is a requirement under the government’s standards.
- Are regular visitors allowed? Privacy?
- Does the home offer information about the Department of Health and Ageing’s Complaints Investigation Scheme (CIS) or advocacy services?
- Has the home received accreditation? A copy of the assessors’ report from the Aged Care Standards and Accreditation Agency is available at accreditation.org.au
9. Does the aged care facility have direct access to other levels of aged care?
Some aged care facilities offer low level and high level care. This may allow residents to stay in one location even if their care requirements change, rather than move to a new aged care home that provides a different level of care. However, movement from low care to high care (or vice versa) can only be initiated after a reassessment by the ACAT. While entry to a nursing home or hostel can only occur after an ACAT assessment, there is no such requirement for entry to a retirement village.

10. Are there any strategies which can be used to reduce the income tested fee?
Yes, it may be possible to reduce the income tested fee with the use of an income stream and/or an insurance bond via a private trust.

(a) Income streams
The income tested fee is based on the social security income test. Therefore, it may be possible to reduce or minimise the income tested fee by using income test ‘friendly’ investments. The use of long-term income streams, such as OnePath’s OneAnswer Pension, can often result in lower assessable income than ‘deemed’ investments. This is because a deductible amount is available based on the purchase price of the income stream rather than the tax components and it may be possible to vary the level of income payments to align them with the deductible amount.

(b) Insurance bonds via a private trust
Another strategy to consider is the use of an insurance bond via a private trust to help reduce income tested fees. A private trust is set up and used to purchase an insurance bond. Provided that no withdrawals are made from the insurance bond, there will be no assessable income for the trust.

From a social security perspective, the taxable income of the private trust is assessable, so there is no income to be assessed either for the purpose of calculating the Age Pension or for the purpose of calculating the income tested fee. However, there can be a downside to this strategy.

An insurance bond, such as OnePath’s Investment Savings Bond, is taxed internally at up to 30% on its earnings. So this strategy will particularly suit clients who are on higher marginal tax rates. However, clients who are on lower marginal tax rates could end up effectively paying more tax than is saved in daily care fees. There will also be costs in setting up the private trust and lodging tax returns, so it is important to consider these issues before implementing the strategy.
**Case Study:**

**Sell or retain the home?**

Simone, aged 80 and widowed, is receiving the full rate of age pension. Simone has been assessed as needing hostel care and expects to enter within the next few weeks.

Simone owns the following assets:

- **Home** $550,000
- **Bank account** $120,000
- **Personal effects** $10,000

The hostel is asking for an accommodation bond of $200,000.

The hostel has offered Simone the following options for paying the accommodation bond:

- Pay the $200,000 accommodation bond as a lump sum in full; or
- Pay part lump sum of $100,000 and periodic interest payments on $100,000 at 9.02% p.a.

**Option 1: Pay the accommodation bond in full by lump sum**

If Simone chooses to pay the accommodation bond as a lump sum in full, one option would be to sell her home. Simone would become a non-homeowner and her assessable assets would increase to $480,000 ($550,000 + $120,000 + $10,000 - $200,000). Simone will invest the remaining funds at 7% p.a., giving $32,900 of income per year.

Simone’s age pension would be reduced to $394.83 per fortnight ($10,265.60 p.a.), while her daily care fees will total $48.57 per day ($37.15 daily care fee and an income tested fee of $11.42). A monthly retention fee would also be deducted by the hostel from the lump sum accommodation bond.

**Option 2: Pay the accommodation bond in part by lump sum and in part by periodic payment**

If Simone uses this option she would be able to retain her home. Simone may choose to pay $100,000 from her bank account and pay $9,020 p.a. ($100,000 x 9.02%) in interest, paid periodically at $24.71 per day. To make the monthly payments, Simone could rent her home for $500 per week ($26,000 p.a.).

As Simone would be paying the accommodation bond in part by periodic payments, the rental income will not affect her age pension (although it would be taxable).

Simone will still have $20,000 sitting in an interest bearing account accruing 7% p.a. ($1,400). This brings her total annual income to $27,400.

By using this option, Simone’s home will remain assets test exempt as long as the periodic interest payments are made and the home is rented. Furthermore, Simone’s age pension will remain at the maximum rate of $716.10 per fortnight and her home will be available should she be able to return home or preserved for her estate.

Also, under this option, Simone will not be required to pay any daily income tested fees to the hostel as the rental income is not assessable under the income test, a saving of $11.42 per day ($4,168 p.a.). This is tempered somewhat by an increased basic daily care fee as she is a standard, rather than phased, resident. A retention amount is also payable which is directly deducted from the lump sum bond by the hostel.

<table>
<thead>
<tr>
<th></th>
<th>Option 1 Selling the home</th>
<th>Option 2 Keeping the home</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income from investments</td>
<td>$32,900</td>
<td>$27,400</td>
</tr>
<tr>
<td>Age pension</td>
<td>$10,265.60</td>
<td>$18,618.60</td>
</tr>
<tr>
<td>Total inflows</td>
<td>$43,165.60</td>
<td>$46,018.60</td>
</tr>
<tr>
<td>Care fees (including retention amount)</td>
<td>$21,418.05</td>
<td>$18,107.50</td>
</tr>
<tr>
<td>Periodic accommodation bond</td>
<td>n/a</td>
<td>$9,020</td>
</tr>
<tr>
<td>Property expenses (20% of gross rent)</td>
<td>n/a</td>
<td>$5,200</td>
</tr>
<tr>
<td>Tax and Medicare levy</td>
<td>$1,620*</td>
<td>$612*</td>
</tr>
<tr>
<td>Other maintenance and repairs</td>
<td>n/a</td>
<td>Costs will depend on the condition/age of property</td>
</tr>
<tr>
<td>Total outflows</td>
<td>$23,038.05</td>
<td>$32,939.50</td>
</tr>
</tbody>
</table>

* Tax payable and Medicare levy takes into account the Low Income Tax Offset, Senior Australians Tax Offset and Net Medical Expenses Tax Offset (NMETO). Note that the NMETO threshold used is $2,000.

* $612 is the amount of Medicare Levy payable. No other income tax is payable due to the effect of the Net Medical Expenses Tax Offset (NMETO) and other Offsets. Note that the NMETO threshold used is $2,000.

**Conclusion**

As can be seen from the above table, both options are likely to be affordable to Simone even though there are significantly higher costs involved with option 2.

The ultimate decision on whether to retain or sell the home will depend on personal needs and preferences. The condition of the home will also be a factor. For example, if the home is in disrepair and the homeowner is unable or unwilling to have repairs carried out, renting the home may not be a viable option. Should the home be rented and consequently become vacant for extended periods, this could also present problems for the individual (as the assets test exemption on the home could be lost). Eventual capital gains tax (if any) on the sale of Simone’s home would also need to be weighed up.
11. What are the costs of a granny flat?
There are no specified costs for a granny flat. A granny flat arrangement is where a person transfers money or assets, usually to a family member, in exchange for life accommodation. There is no formal care arrangement involved, although the family member may provide informal care.

The amount paid or transferred for the granny flat may be limited for social security purposes, so it is highly recommended that any potential granny flat agreement be vetted by Centrelink prior to finalisation. In some cases Centrelink may view the amount as a deprived asset if the amount transferred is considered to be unreasonable.

**Note:** The creation of a granny flat right where consideration is paid may constitute a capital gains tax event. It is recommended that your client seek appropriate taxation advice.

12. What are my client’s options if a granny flat arrangement does not work out?
If your client establishes a granny flat arrangement with a family member, the family member has agreed to provide accommodation for life.

The family member may discover that the arrangement is no longer suitable because they can not provide care or there may be other personal reasons. If providing care is an issue, community services may be available to assist in caring for an aged or frail person.

The granny flat agreement may specify the right to accommodation for life at a specified standard or condition by the family member. This may mean that the family member is obligated to provide suitable alternative accommodation should the original accommodation become unavailable. Purchasing another property may be an option and the family member may need to borrow funds. The property could be rented to the granny flat resident and they could receive rent assistance if the consideration for the granny flat right is less than the extra allowable amount (EAA). Refer to the Aged care and special residences fact sheet for the current EAA.

If the resident leaves the granny flat accommodation within five years and no alternative accommodation has been provided by the family member, Centrelink may apply the deprivation provisions if the reason for leaving was foreseeable. On the other hand, if the reason for leaving was unforeseeable, the deprivation provisions are unlikely to be applied. Note that moving into an aged care home may not necessarily be regarded as unforeseeable.

13. How can I protect my client?
Clients considering entering into a granny flat right, retirement village or an aged care facility (including hostels and nursing homes) should consult a qualified professional to review entry agreements. Remember when planning for your clients’ aged care requirements, things can go wrong.

Problems and disputes can occur within families after a granny flat agreement has been created. For this reason, it is recommended that your client seek legal advice prior to the agreement being finalised in order to determine a suitable outcome should the granny flat arrangement prematurely come to an end.

One important issue to consider is what compensation (if any) should be paid to the parent/relative should the parent or relative be required to give up the granny flat and move to alternative accommodation.

14. What are some of the estate planning implications of an aged care strategy?
Estate planning implications can result from aged care strategies such as:

- **Capital gains tax**
  Capital gains tax may be an issue where the former home is rented to pay an accommodation charge or accommodation bond by periodic payments. Upon death, the home is passed to a beneficiary which may trigger capital gains tax if the deceased was absent from the home for more than six years and it was rented.

- **Retirement villages**
  Retirement villages can include departure fees or deferred management fees. Retirement villages allow their residents to live off their equity while residing in the village. Often this can result in departure fees amounting to 100% of the capital gain plus additional amounts retained each year for common facilities and maintenance. This can result in beneficiaries receiving very little of the deceased’s equity in their villa or unit.

- **Granny flat rights**
  Establishing a granny flat right can also have estate planning consequences, where only one child receives a lump sum as compensation for caring and accommodating their parent(s) and the other children receive the remaining share of the estate.

  The family provisions legislation varies between states, however, generally they require that dependants are adequately provided for during their lifetime.

  If the Will of the deceased does not make adequate provisions for all known beneficiaries, then any eligible dependant can make a claim against the estate. This can cause lengthy delays in the administration of the estate as well as significant legal costs which must be paid out of the deceased estate. This can reduce the entitlement of all other beneficiaries significantly.
15. What type of Power of Attorney is suitable for a client in an aged care facility?

Generally, all states and territories have the legislation to create general and enduring POAs. As a general POA only operates while the donor is of a sound mind, it is recommended that aged care clients consider implementing an enduring POA, to ensure their financial matters are managed by a person(s) they have nominated if they lose legal capacity.

The following is a brief description of the various POAs that can be created:

**Limited or non-specific**

POAs can be either limited (only specific transactions can be performed) or non-specific. A limited POA is created to allow the attorney to perform specific transactions. A non-specific POA allows the attorney to make decisions about financial, legal and personal matters. This includes actions such as paying bills, writing cheques, banking transactions, and selling and purchasing real and personal property. They may apply for a specified or unlimited time.

**General POA**

A general POA is usually prepared where the donor wishes the attorney to perform a specific function for a limited period. For example, to act for the donor while they are overseas. This could be to allow the attorney to operate the donor’s bank account to allow bills to be paid, such as being a signatory on the account.

This POA only operates while the donor has mental capacity. It is revoked when the donor loses mental capacity.

**Enduring POA**

An enduring POA (also known as protective POA) provides the same powers to the attorney as a general POA, however an enduring POA becomes effective at the donor’s incapacity.

**Enduring POA (medical treatment)**

An enduring POA (medical treatment) allows the attorney to make decisions about medical treatment for the donor. A donor creates this type of POA when they wish to express their preference about medical support. For example, a donor may not wish to be supported artificially by a life support system.

An attorney cannot refuse basic necessities (such as food and water) for the donor nor authorise their euthanasia.

For more information, refer to Technical bulletin 15: Estate planning: Wills.

16. How important is it for aged care residents to have a Will?

A Will is important for everyone but is particularly important for aged care residents. Generally speaking, aged care residents will have a shortened life expectancy as residents will be frail and/or have medical conditions. A Will should be signed in the presence of at least two witnesses. The witnesses must also sign the Will at the same time (i.e. all parties sign the Will in front of each other).

When making a Will, the person must have ‘testamentary capacity’. This means they must:

- understand that they are making a Will
- know the extent of the property they wish to dispose of
- comprehend the claims of the named beneficiaries and the claims of any people they are excluding.

This could be a problem for some aged care residents if they are mentally impaired (e.g. a person with Alzheimer’s disease). In such cases, legal advice may be necessary.
Aged care and retirement living marketing tools

There are marketing support tools available to help you market the aged care opportunities to both new and existing clients.

Accessing sales support materials:
- download via Adviser Advantage Sales Support pages
- contact your OnePath Business Development Manager for copies of all sales support materials.

Client aged care flyer
A full colour flyer for your client to learn more about aged care facilities and the costs involved.

Approach letter for facilities
A direct mail letter to introduce your services and expertise to aged care facilities.

Client presentation
A presentation with speaker notes for you to present at client seminars.

Editorial
Content to use in client newsletters or local newspapers to promote aged care considerations including facilities and costs, and the importance of financial planning and advice in this area.

Technical bulletins
TB03: Social security: Granny flat rights – examines how to establish a granny flat right and the legal, tax and estate planning implications to consider.
TB04: Social security: Retirement villages and sale leaseback residences – looks at the legal considerations and how Centrelink will assess the fees and payments paid for entry, the treatment of the former principal place of residence and if a client is entitled to Rent Assistance.
TB74: Introduction to aged care – provides a broad overview of the types of aged care facilities available, the assessment process and potential fees payable.

TB75: Hostels – examines the definition of a hostel, the way in which fees are calculated, the way in which social security payments are calculated for residents and tax treatment of fees.
TB76: Nursing homes – examines the definition of a nursing home, the way in which fees are calculated, the way in which social security payments are calculated for residents and the tax treatment of fees.
TB77: Aged care and the former home – looks at the options available to new aged care entrants when it comes to their former home. Examines social security assessment, taxation and a number of other factors.
TB78: Aged care and fee reduction strategies – looks at the advantages, drawbacks and key factors of a number of strategies aimed at reducing aged care fees. Strategies covered include the use of an income bond in a trust, using superannuation and income streams and paying a higher accommodation bond.

TB15: Estate planning: Wills – considerations when preparing or reviewing a Will.

Aged care and special residence fact sheet: 1 January to 31 March 2011 – the current fees, charges, rates and thresholds relating to aged care facilities, granny flats, retirement villages and sale leaseback arrangements.

Aged care technical calculator
Calculates aged care fees and charges. This includes basic care fee, income tested fee and accommodation charge. This calculator also provides social security entitlements.
For more information, contact your OnePath Business Development Manager or Adviser Services on 1800 804 768.
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