



## It may pay to get deluxe care and also the pension

Jenne Brammer

The bonds charged for residential aged care facilities may be eye-wateringly high but if you are selling a home to move into such a facility, opting for a bigger price tag could be financially wise.

The Refundable Accommodation Deposit, often called the bond, is exempt from the pension assets test, so it makes little sense to be cashed up after selling a home if this means losing the age pension entitlement.

Rachel Lane, principal of adviser network Aged Care Gurus, said that following changes introduced by the Federal Government at the start of the year, it was now far less attractive for people to keep and rent their homes. As a result, the overwhelming majority of people entering residential care are choosing to sell their house.

"If you are selling the family home, most people would be better off if they found an RAD price within aged care that is as close to their home sale price as possible, which means they are exchanging an exempt asset (a house) for another exempt asset (an RAD)," she said.

That is because people who sell their home for a price significantly higher than the RAD, would end up with a big stash of money in the bank, which could mean losing the age pension — worth about \$23,000 a year," she said.

For example, a person selling a home in a premium Perth suburb for \$1.2 million and opting for a lower-cost residential care facility with a \$500,000 RAD, would end up with about \$700,000 in the bank. At 2 per cent annual interest, this would be worth \$14,000 a year — significantly less than the age pension.

"In many cases it's a good investment to opt for a higher RAD, which means receiving higher annual income through the age pension, while living in luxury accommodation," Ms Lane said.

Ms Lane added some premium facilities, such as Berrington Subiaco and Berrington Como,

charged a higher RAD to keep the additional service charges low.

"Sometimes there can be a bit of a trade-off — pay a higher RAD than other equivalent facilities but the daily fee will be lower," she said.

"These daily fees can become very expensive for people. You have to weigh up the total cost and not just focus on the RAD itself."

Ms Lane said an aged care home which structured its charges so the RAD was higher and other fees were lower, could be beneficial in terms of helping maximise pension entitlements.

She expected the demand for luxury aged care facilities in Perth would continue to grow in line with the ageing population and because of the financial benefits associated with paying a higher RAD.

Ms Lane also expected more premium aged care facilities would structure charges so residents could opt for a higher RAD and lower daily fee, to help maintain their age pension entitlements.



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RACHEL LANE

### HOW THE REFUNDABLE ACCOMMODATION DEPOSIT WORKS

- Often known as the accommodation payment or bond, the RAD is an interest-free loan to the aged care residential facility.
- Price is set by the aged care facility, and usually reflects the location, room size and type, and the facilities and standard of the facility.
- Returned in full (minus any outstanding fees) to the resident or their estate upon leaving the facility.
- Residents also pay daily costs of living and for extra services.
- The RAD is guaranteed by the Federal Government.
- Depending on an assessment of income and assets, some people will have their bond met in full or in part by the Australian Government (does not apply to premium "extra service" accommodation).

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