



Client Fact Sheet

July 2009



Aged care – impact on the age pension

Moving into a hostel or nursing home (aged care) may change how much age pension you receive. This flyer provides a brief overview of how this works.

Assessment of your home

While you live in your home it is an exempt asset. This exemption continues for at least two years after moving into aged care. During this time you continue to be assessed as a homeowner.

Your home will be exempt for longer if you rent the home and either pay an accommodation charge to a nursing home or pay some bond as periodic payments to a hostel. The home remains exempt while these arrangements are in place and as an additional benefit, any rent received will also be exempt under the income test (or other eligible pension[^]).

The home will also continue to be exempt if your spouse still lives in the home.

If you sell your home, you immediately become a non-homeowner and are assessed against the higher assets test thresholds. The proceeds from the sale of your home may be assessable, depending on what you do with the money. This may decrease your age pension and also increase daily care fees paid to the hostel or nursing home.

[^] dependant child (under age 16 or age 25 if full time student), a carer eligible for income support who has lived there for at least 2 years or a close relative who lived there for at least 5 years.

Accommodation bond

If you move into a hostel (or extra care nursing home) you may be asked to pay an accommodation bond. The hostel will let you know how much bond you need to pay.

When calculating your rate of age pension, the accommodation bond is an exempt asset and is also exempt under the income test. In some cases you may be able to negotiate to pay a higher bond to reduce your assessable assets. The bond will be returned to you once you leave care, less a retention amount kept by the hostel. This may help to increase your age pension and reduce your daily care fees. If you agree to pay a higher bond, you will not earn any income on the bond paid. However, daily care fees may decrease to compensate.

Members of a couple

If you are a couple and one or both of you live in a hostel or nursing home, you qualify as an 'illness separated' couple when calculating your age pension. Your income and assets are still combined and assessed using the 'couple' thresholds but payment is based on the single rate of pension. This provides a higher payment.

Example

George (66) and Martha (65) are married. Their assets are:

	Assets	Income
Home	\$1 million	n/a
Car	\$15,000	n/a
Contents	\$10,000	n/a
Cash in bank	\$200,000	\$6,800 ¹
Shares	\$50,000	
Allocated pension (George)	\$50,000	\$0 ²

¹ Deemed income based on rates and thresholds current as at July 2009.

² Gross income received is \$2,500 pa which is less than the Centrelink deductible amount of \$2,950. Therefore Centrelink assessable income = \$0.

George and Martha currently receive a partial age pension of \$849.05* per fortnight combined.

Martha moves to a hostel and pays an accommodation bond of \$140,000. Money is taken out of their bank account to pay the bond.

George lives in the home so they continue to be assessed as homeowners. Their home and the accommodation bond are exempt assets.

After paying the bond, their assessable income and assets decrease, so they become eligible for a higher age pension. As an "illness separated couple" their age pension is paid using the single rate of pension.

George and Martha each receive the full age pension of \$575.80* per fortnight for a member of an illness separated couple (\$1,151.60 per fortnight combined).

* Based on rates and thresholds current from July 2009.

Conclusion

This flyer only considers the impact on the age pension payable. If you are moving to a hostel or nursing home your decisions should also take into account the impacts of taxation, affordability, daily care fees payable and your income needs.

Seeking advice from an experienced financial planner can help to develop the right solution for you.

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