Retirement Village regrets inspire new book.

Rachel Lane, Principal, Aged Care Gurus

You may have seen The 7.30 report recently talking about retirement villages – and the confusion about what moving into and leaving one can cost. It’s an all too common story, years after the contract is signed the resident (or their estate) do the sums and work out what they get back. The other side of that coin is the people who want to move to a retirement community but they are frightened by such stories … they delay and delay. When they finally move in they love it and regret not doing it sooner!

The answer to overcoming both types of regret is to be informed. Noel Whittaker and I have just released our latest book, The Retirement Living Handbook to help people navigate the maze of retirement community costs.

If you are considering making the move to a retirement community these are my top 5 money tips:

1. Find a community you want to be a part of

Normally in real estate the advice is “location, location, location”. Your proximity to family, friends and amenities is an important consideration but a big part of your enjoyment in a retirement community will be the interactions with other residents – to quote a great Australian movie “it’s the vibe” – get to know the other residents by attending open days and other village events.

2. Understand your contract

Your legal ownership has wide reaching implications so it is important to know what it is, what rights and responsibilities are attached to it and the impacts on your pension entitlement and eligibility for rent assistance. For example, in a retirement village you may be eligible for rent assistance if the amount you pay for you lease or licence is less than $149,000, while in an over 55’s community your eligibility for rent assistance is unaffected by your purchase price.

3. Do your sums. The costs of moving to a retirement community can vary widely. If you are comparing the costs of moving to one or another it may help to break the costs into three categories: the ingoing, the ongoing and the outgoing.
4. Have a budget

And make sure that it incorporates the costs associated with living in the community such as the general service charge or site fees together with your personal expenses such as utilities, food and entertainment. If you are going to receive extra services such as meals, domestic help or care make sure you include these on top of the other charges and then add occasional expenses such as holidays and Christmas so you know you can afford it.

5. Seek Advice

Crunching all of the numbers can be complicated, a financial adviser who specialises in this area can help you get it right. It’s also important to seek legal advice to ensure that you have up-to-date Powers of Attorney and a valid will to ensure you have a trusted person that will act on your behalf and you don’t have tribunals or courts making important decisions for you.

To celebrate the launch of *The Retirement Living Handbook*, we will be hosting book launch events in Melbourne, Sydney and Brisbane. *If you are considering a Tree Change, Sea Change or Downsizing this book is for you!*

Join us:
Melbourne 7 October:
Hawthorn Arts Centre, Hawthorn 1.30 – 3.30pm

Brisbane 14 October:
Easts Leagues Club, Coorparoo 2 – 4pm

Sydney 19 October:
Club Central, Hurstville 2-4pm

For more details or to reserve your place go to [www.retirementhandbook.com.au](http://www.retirementhandbook.com.au) or call 1300 855 770.

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One in care, one downsizing.

Julie Lockeridge

Couple’s moving into care can create complex financial arrangements. When only one member of a couple needs care it is often assumed that the other will remain in the family home. But home maintenance, proximity to their spouse and the ability to summon help if needed can lead to the decision to downsize.

“Downsizing” can take many forms, from a move to a smaller house or apartment to more complex legal and financial arrangements such as establishing a granny flat right with children or moving to a retirement community. While only one member of the couple is downsizing the change will affect both people’s pension entitlement and the cost of care.

So what happens when the family home is sold?

If the family home is sold before a new home is purchased the proceeds from the sale of the home will be exempt from the asset test for pension and aged care for up to 12 months. However, if the money is held in a financial investment (such as a bank account or term deposit) interest will be deemed to be earned and this will count for pension and aged care costs.

The current deeming rates are 1.75% on the first $48,600 (single) or $80,600 (couple) and 3.25% on the amount above.

Let’s look at an example...

John and Joan are full pensioners. John has moved into care as a low means resident and Joan is considering downsizing. She wishes to sell her home before she purchases a new one so that she knows what she can afford to spend. Her daughter has offered that she can stay with her while she “house hunts”.

John and Joan’s house is worth $650,000, they have $150,000 in bank accounts and $30,000 in personal effects including Joan’s car.

When the house is sold John and Joan will have $800,000 in the bank and $30,000 in personal effects. Under the asset test they will still be considered to have $180,000 for the next 12 months, however, under the income test they will be deemed to earn interest on $800,000 and their pension will be reduced by $333p.f.n. John’s accommodation contribution will increase from $21.15p.d to $27.09p.d.
When a new home is purchased, it will be given protected status – making it an exempt asset for the calculation of pension entitlement and the aged care means test.

Dealing with the sale of the home and the purchase of a new one can be an emotional time. It is easy to focus on the transaction and ignore the longer term consequences.

When the dust settles the biggest question is often what to do with the money “left over”. There are a wide range of strategies and financial products available to help people manage their pension entitlement and minimise the cost of care. This may include using a trust, purchasing an annuity, investing in a funeral bond or gifting. Often there is no “silver bullet” and a combination of strategies will be needed to achieve the best outcomes.

People who are considering downsizing or moving into aged care (or both) should seek specialist advice. We would be happy to discuss the options with any prospective residents.

To help you and your prospective residents understand the cost of aged care, the team at Aged Care Gurus have developed the “Your essential guide to Aged Care” Booklet.

The booklet covers:

- The cost of Home Care Packages, including the income testing arrangements
- Accommodation payments for residential aged care: What is a RAD? What is a DAP and How are they calculated?
- Who is eligible to be a supported resident and how much can they pay?
- How the government calculate the Means Tested Care Fee, what’s included? What’s not?
- The exemptions that can be applied to the former home (including rent)
- The importance of seeking advice to understand to ensure care is affordable

To order your FREE copy of “Your essential guide to Aged Care”, email us at asktheguru@agedcaregurus.com.au or contact your nearest guru www.agedcaregurus.com.au