

# Don't slip up moving into aged care



Noel Whittaker

Who does what and when on their way into retirement can cost a lot if people are not careful.

AS we age we often require more care to manage our health and daily lives.

Moving into some form of residential aged care may be the decision we make for ourselves, or one we have to make for aged parents or a close friend. It can be a stressful and emotional time, so the best approach is to arm yourself with as much information as possible well in advance.

If you think you need support to continue living in your own home, or are considering the move to an aged-care facility, the first and best step is to make an appointment with an Aged Care Assessment Team (ACAT).

This is a free service that looks at how well you are currently coping and services for which you may be eligible. It's a relatively easy process but expect a wait of weeks or even a few months to get an appointment. You will be notified in writing of the outcome, the care services you are eligible to receive and where they are located in your area.

For example, an ACAT assessment can enable you to access care in your own home such as the delivery of meals and assistance with showering or a short-term stay at an aged-care facility while you sort out a more permanent arrangement. Short-term stays, known as respite, can be up to 63 days a year, at a cost of about \$40.25 a day. This can buy you the time you may need to make important decisions about which facility is the right one for you as a permanent home.

Before you embark on the asset assessment for aged

care, do some homework on what the outcome may mean for you – this is crucial. An asset assessment is not always compulsory and, in some cases, it may not be in your best interests.

Your assessable assets for aged care can be different to your assessable assets for pension purposes. The key difference is that unless your spouse, child or in some circumstances other relatives or a carer lives in your home with you, your home is part of your assessable assets for aged-care purposes.

The aged-care asset

If you and your spouse are both going into aged care the timing of the assets assessment can be critical.

assessment will determine the maximum amount of accommodation bond or accommodation charge you can be asked to pay. The formula for this is fairly simple: your total assessable assets minus \$39,000. If you are a couple the assets are considered on a 50/50 basis and \$39,000 is deducted from each share.

In some cases you may be better off negotiating the payment of the accommodation costs directly with the aged-care home you've chosen. If an asset assessment calculation would indicate an accommodation bond of \$500,000 but the facility is requesting a bond of only

\$350,000, it may be wise to forgo the assessment process.

The only time that the asset assessment is compulsory is if you are claiming to be a supported resident (those with assessable assets below \$102,544).

If you and your spouse are both going into aged care the timing of the assets assessment can be critical. Think about Tom and Rosie who own their own home and want to keep it for their grandchildren. They both move into an aged-care facility on the same day and submit their asset assessment after they move in. To assess the amount of accommodation bond or charge payable, the value of the home is split 50/50 between Tom and Rosie.

However, if Tom enters care on one day and Rosie follows a few days later, the home will be exempted from Tom's assessment because Rosie is still living there. Depending on the value of other assets, this could mean that Tom could be eligible to be a supported resident and so pay a reduced amount (or no) accommodation bond or charge.

As always, seek advice, and also make sure the facility would accept such a financial arrangement – there are only a certain number of beds available for supported residents.

**Noel Whittaker is a director of Whittaker Macnaught Pty Ltd. His advice is general in nature and readers should seek their own professional advice before making any financial decisions. His email is noel.whittaker@whittakermacnaught.com.au.**



**Q** I have \$170,000 equity in my house. If I use the equity to invest in managed funds or shares can I claim the interest as a tax deduction?

**A** Interest on monies borrowed to invest in income-producing assets like property or shares is always tax-deductible.

**Q** We are both in our early 40s. We have a managed fund in joint names currently valued at \$100,000 and we invest a regular monthly contribution of \$1250. I am in the highest tax bracket while my partner works part-time and earns less than \$28,000 a year. Are we

liable for capital gains tax within a managed fund, even if we don't withdraw any money from the managed fund? We recently submitted our tax returns and paid more than \$1500 to the tax man based on the "total current year capital gains". However, I am confused as to whether I completed the tax return correctly, as I thought that tax was only liable at the point of disposing of an asset. If we have correctly paid tax on these gains, does that mean when we do withdraw funds, there will be no capital gains liability?

**A** Most managed funds are unit trusts which mean they do not pay tax

themselves but instead pass any income down to investors like yourselves who are then liable for the tax each year. Each year the fund will send you a tax statement which shows details of income to be shown on your tax return – this income arises through income received by the fund on its investments or through gains made by trading shares. There will also be capital gains tax on any increase in the unit value when you sell.

**Send your questions to noel.whittaker@whittakermacnaught.com.au**

## Tax wrangle perceived threat to increased super



By ANNETTE SAMPSON

KEY super industry players have called on the government not to let the latest wrangling over its mining tax package derail plans to increase compulsory super contributions to 12 per cent.

Delegates at the Conference of Major Superannuation Funds on the Gold Coast responded with dismay to news the Greens opposed the planned cut to the company tax rate which would, in some part, compensate for the requirement to make higher super contributions.

"If the company tax cut is taken off the table it will be really hard to get business to take up 12 per cent super," said the chief executive of the Australian Institute of

Superannuation Trustees, Fiona Reynolds. "It brings the focus back to the mining tax and company tax rather than the good that could be done by increasing super."

The institute has launched a public campaign to garner support for higher contributions.

Assistant Treasurer Bill Shorten told the industry it should not assume 12 per cent super would pass through Parliament without outside support.

But Industry Fund Services chief executive David Whiteley said with many business groups already opposed to the increase, the Greens' stance was likely to make little difference to the chances of getting the legislation passed. Funds were also told to get

behind big picture reforms such as the introduction of low-cost MySuper accounts rather than dwelling on details and misconceptions.

Stronger Super Peak Consultative Group chairman Paul Costello said MySuper would give funds an opportunity to get away from the "value destroying" practices of measuring themselves against their peers and focusing on the short term and refocus on benefits for members.

He said there was still confusion about MySuper but funds should not fall into the trap of developing the lowest cost product possible and stripping away some of the features they now offer.

"The government's real focus is

not on cost reduction but delivering value to members," he said.

Mr Costello said the government was also keen on a code of governance for super funds but there were questions as to whether it should be compulsory.

He said while several codes existed, a universal code was preferable. The government had not said what it wanted in a code, but was clear it wanted to achieve best practice.

The Australian Institute of Superannuation Trustees and Industry Funds Forum launched a governance framework for not-for-profit funds at the conference. It includes recommendations to disclose remuneration policies and directors' fees.

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