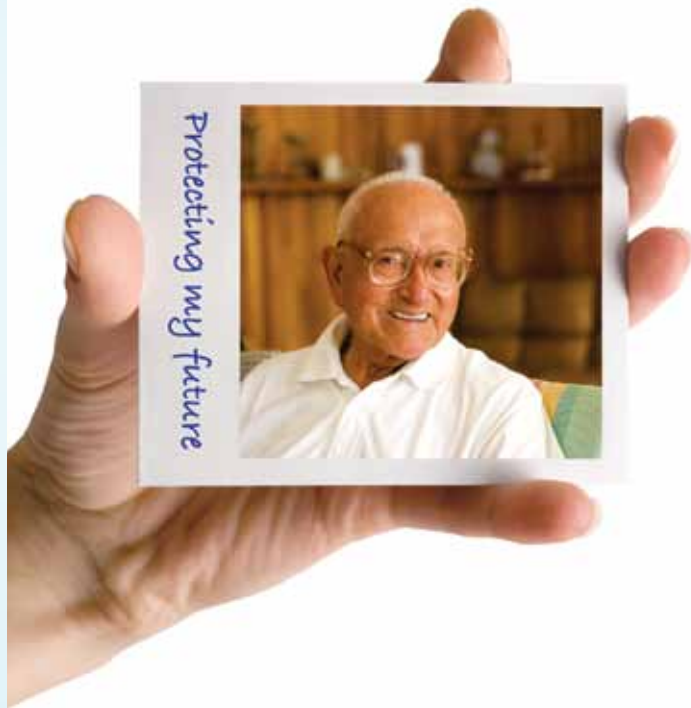


# Aged Care - Accommodation Bonds

Accommodation payments are very different from daily care fees. They are used by the aged care home as capital funding to improve the quality of the buildings and services they provide. Not everyone pays an accommodation payment – it depends on the value of your assets at the time of entry to care.



If you have more than \$39,000<sup>1</sup> in assets, you can be asked to pay an accommodation payment but you must be left with at least \$39,000<sup>2</sup> in assets after your payment. The family home is not included in calculating the value of your assets if, when you enter care, it is occupied by your spouse or a dependant child, or a close relative or a carer has lived in the home for a prescribed number of years. To satisfy this condition, the close relative or carer must be eligible for an income support payment.

There are two types of accommodation payments that may be payable to aged care homes:

- Residents requiring high care other than on an extra service basis may be asked to pay an accommodation charge;
- Residents requiring low level care or entering an extra service place (at high or low care) may be asked to pay an accommodation bond.

Respite residents cannot be asked to pay an accommodation payment.

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## Accommodation Bond

An accommodation bond is an amount you may be asked to pay when you require low level care or enter an extra service place. It is like an interest free loan to the aged care facility – by law, it must be used by the facility to improve building standards, along with the quality and range of aged care services provided.

A bond can only be charged by an aged care facility that is certified as meeting minimum building and care standards (you are entitled to know the facility's certification status).

The aged care facility is allowed to deduct monthly amounts (retention amounts) from the bond for up to 5 years. The Government sets the maximum retention amount – currently, this is \$307.50 a month. This amount is fixed at the rate applying at your date of entry. The balance of the bond is refunded to you or your estate when you leave the facility.

<sup>1</sup> Rates current as at 20 March 2011.

<sup>2</sup> Rates current as at 20 March 2011.

## How much bond will I pay?

There is no fixed amount for a bond. The amount of the bond is agreed between you and the aged care provider.

You cannot be charged a bond that would leave you with less than \$39,000 in assets.

## Payment Options

An accommodation bond can be paid in the following ways:

- a lump sum;
- periodic (fortnightly or monthly) payments; or
- a combination of lump sum and periodic payments.

If you agree to pay the accommodation bond as a lump sum, you cannot be required, by the aged care provider, to pay that lump sum during the first 6 months following entry, although you can choose to do so.

You will need to agree to the size of the accommodation bond when you enter, and you may be charged interest on the accommodation bond amount from the time you enter the aged care facility. The interest rate is set at the date of entry, up to a maximum permissible interest rate. For people entering into care prior to 30 June 2011, this interest rate is 8.92%.

## Determining a resident's assets

Centrelink or the Department of Veterans' Affairs (DVA) may assess a resident's assets on behalf of the Department of Health and Ageing, even if the resident does not receive a pension. Having an assets assessment is not compulsory unless a person wants to find out if they are eligible for government assistance with their accommodation costs for permanent residential aged care.

You may choose to negotiate the payment of an accommodation bond with an aged care home directly rather than having an assets assessment undertaken.

## Will my home be "protected"?

The value of your former home will not be counted as an asset if, at the time of your assets assessment or the date of your entry to care (whichever is the earliest),:

- your spouse, partner or dependent child is living there;
- a carer who is eligible for an income support payment has been living there for at least 2 years;
- a close relative who is eligible for an income support payment has been living there for at least 5 years.

## Gifting

Assets gifted away from 10 May 2006 over \$10,000 in a single financial year or \$30,000 in a 5 financial year period will be included in your assets assessment. As a result, you may not be eligible for government assistance with your accommodation costs.

## Moving to another aged care facility

If you have previously paid an accommodation bond and then move to another aged care facility within 28 days, your accommodation bond can be transferred to the second aged care facility. You cannot be asked to pay an accommodation bond to the second aged care facility that is higher than the amount refunded by the first aged care facility, unless there is a gap of more than 28 days between leaving the first facility and entering the second.

If you do move, only the balance of the 5 year bond retention period will carry over to the new facility.

If you paid an accommodation bond on entry to low level care and subsequently move to another aged care facility to receive high level care, you may, with the agreement of the aged care facility, either:

- have the balance of the bond fully refunded (less retention amounts) from the previous aged care facility and, if liable, pay the daily accommodation charge in the new aged care facility
- transfer the balance of the accommodation bond to the new aged care facility. In this case, only the balance, if any, of the 5 year retention period will carry over to the new aged care facility.

*You can not be charged a bond that would leave you with less than \$36,000 in assets.*

## Safeguards for Residents

You can only be asked to pay an accommodation bond if you can afford to do so.

You cannot be asked to pay the accommodation bond unless you have entered into an accommodation bond agreement. You have up to 21 days after entering an aged care facility to enter into the accommodation bond agreement.

Any change in the level of your assets after you have entered the facility does not affect the amount of accommodation bond you agreed to pay.

When you pay the accommodation bond as a lump sum, the aged care facility must:

- guarantee in writing to repay the accommodation bond balance within the statutory time periods, which is within 14 days of giving notice of your departure, on the day you leave if you notify your aged care facility of your departure more than 14 days before you leave, within 14 days after you leave if no notice is given or in the case of death, 14 days after the approved facility is shown probate or letters of administration;
- provide you with a copy of the accommodation bond agreement and a written guarantee within 7 days of the agreement being signed.

Every October, the aged care facility must also:

- provide information to you about the number of accommodation bond balances that were not refunded within the statutory time periods over the past financial year;
- give you a written statement, including an audit opinion on that statement, about the aged care facility's performance against the prudential requirements; and
- a copy of your entry in the accommodation bond register.

If the aged care facility does not refund your accommodation bond balance on the day you leave, interest will be paid by the aged care facility on your accommodation bond balance until it is refunded.

In the event your aged care facility becomes bankrupt or insolvent, the Government will repay your accommodation bond balance entitlement, including any interest that has accrued on the accommodation bond balance.

If you cannot afford to pay the accommodation bond, you will not be asked to do so, but you will still get the care you need.

## Impact of Accommodation Bonds on Pensions

Lump sum accommodation bonds paid by residents in aged care facilities are exempt from the pension assets test.

The former home is exempted from the pension assets test for 2 years for all people entering residential care (longer if the person's partner remains living in the home).

If you rent out your former home to pay some or all of your accommodation bond via periodic payments, the former home and the rental income is exempt from the pension assets and income tests for as long as you are liable to pay a periodic payment.

### Case Study 1

Mrs Chan owns her home. She is a widow and about to go into low level care. Her house is worth about \$150,000 and her unemployed daughter, who has cared for her for the last 6 years, is living in the family home. Her home is not considered as an asset in relation to payment of an accommodation bond.

Mrs Chan's other assets amount to \$106,000. Her total assets are \$106,000.

She must be left with at least \$39,000. Therefore, the maximum accommodation bond Mrs Chan can pay is \$67,000.

The aged care facility asks her to pay \$60,000.

Mrs Chan has read that she can pay an accommodation bond via periodic payments rather than as a lump sum, or as a mixture of both.

The periodic payment is made up of 2 components. Firstly, the amount that the aged care facility can deduct annually for up to 5 years, and also the interest that the aged care facility would normally earn on the lump sum.

The aged care facility explains to Mrs Chan that she can make this payment either monthly or fortnightly. She agrees to pay a periodic payment as this will not require her to change her financial arrangements.

Assuming an interest rate of 8.92% p.a. the cost of this payment would be the retention amount the aged care facility can keep of \$307.50 a month plus the interest of \$446.00 a month. Total payment would equal \$753.50 a month.

Mrs Chan agrees to pay \$753.50 every month to cover this cost, instead of paying \$60,000 as a lump sum.

Mrs Chan's payment will reduce by \$307.50 a month after the maximum 5 year retention period.

## Case Study 2

Mrs Winter owns her home. She is a widow and about to go into residential care. Her house is worth approximately \$150,000. Mrs Winter's other assets amount to \$87,500 – her total assets total \$237,500.

She must be left with at least \$39,000. Therefore, the maximum accommodation bond Mrs Winter can pay is \$198,500.

The aged care facility asks her to pay \$100,000.

Mrs Winter has read that she can pay an accommodation bond either via lump sum, periodic payments or a combination of both. If she pays a combination of both and the lump sum is large enough to cover the amount the aged care facility can keep, she will only need to pay a small periodic amount made up of the interest that the aged care facility would normally earn on the lump sum.

The aged care facility explains that Mrs Winter can make this payment either monthly or fortnightly.

She agrees to a combination of lump sum and periodic payment as this best suits her situation. Her lump sum payment is \$70,000 leaving \$30,000 on which she must pay interest.

Assuming an interest rate of 8.92%, the annual cost of the periodic payment would be the interest of \$2,676 per year or \$223 per month.

Therefore, as well as paying \$70,000 as a lump sum, Mrs Winter agrees to pay \$223 every month. By doing this she meets her agreement for a \$100,000 total accommodation bond.

Mrs Winter also decides to rent out her former home and uses the rental income to pay the periodic payments. Her home is exempt from the pension assets test and the rental income is not counted for the pension income test while she is required to make the periodic payments.

The amount of the accommodation bond returned to Mrs Winter or her estate, after deducting the retention amounts, on leaving would be:

After one year	\$66,310
After 2 years	\$62,620
After 3 years	\$58,930
After 5 years	\$55,240
After 5 years or more	\$51,500

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