

Benefits of advice for aged care clients



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Benefits of advice for aged care clients

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Benefits of advice for aged care clients

Acronyms used in this webinar

ACAT = Aged Care Assessment Team

RAD = Refundable Accommodation Deposit

DAP = Daily Accommodation Payment

Agenda

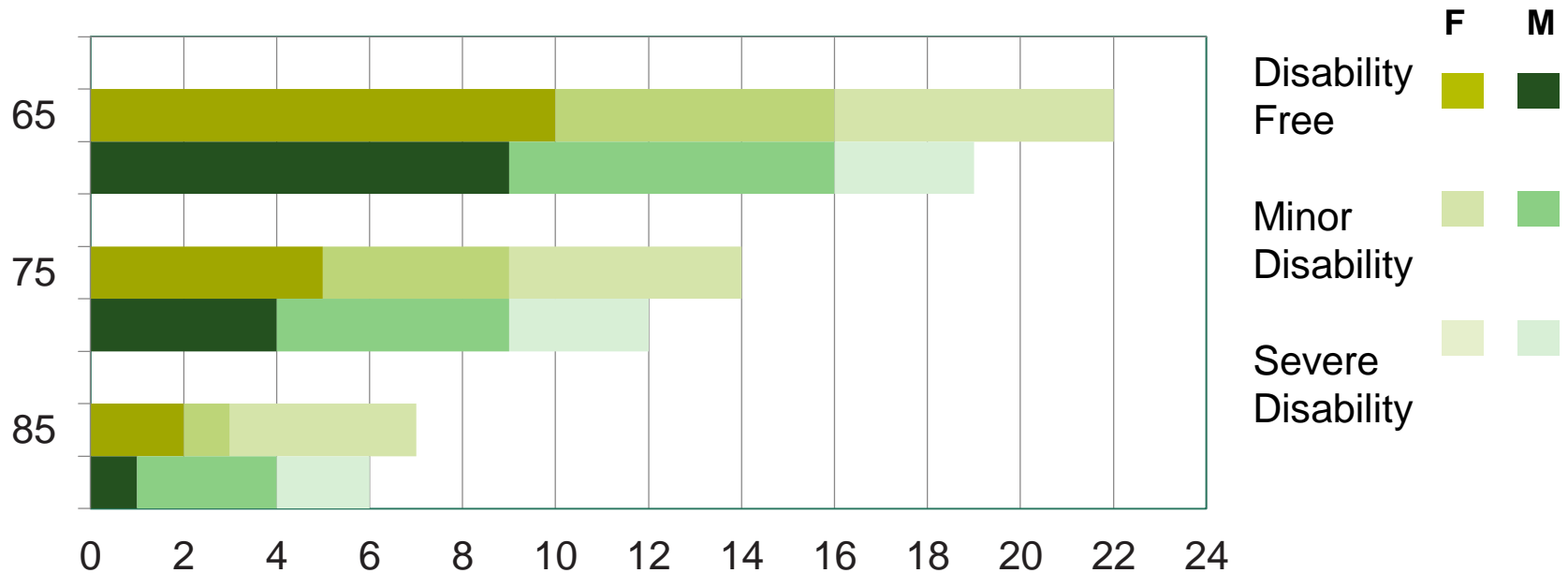
- Aged care advice opportunities
- Residential aged care fees
- Residential aged care strategy
- Challenger CarePlus investment solution

Aged care advice opportunities

Aged care advice opportunities

Potential for aged care

Years of disability



Aged care advice opportunities

Aged care options

Commonwealth Home Support Programme

Entry level support services and personal care at home

Home Care Packages Program

Comprehensive support services, personal care and complex care at home

Residential aged care

Accommodation, personal care and complex care in an aged care facility

Aged care advice opportunities

Aged care eligibility

- Aged Care Assessment Team (ACAT) determines eligibility for home care and residential aged care
 - Eligibility check conducted online or over the phone
 - Assessment conducted in person
- Assessment outcome will be sent by letter from My Aged Care
 - Eligible and approved services
 - Reasons for the decision
 - Aged Care Client Record

Aged care advice opportunities

myagedcare.gov.au



- Home
- Types of care ▾
- Assessment ▾
- Find a provider ▾
- Manage my services ▾
- Contact us ▾



If you need some help around the house or think it's time to look into aged care homes, My Aged Care is here to help.

My Aged Care is the Australian Government's starting point on your aged care journey. Find and access the government-funded services you need.

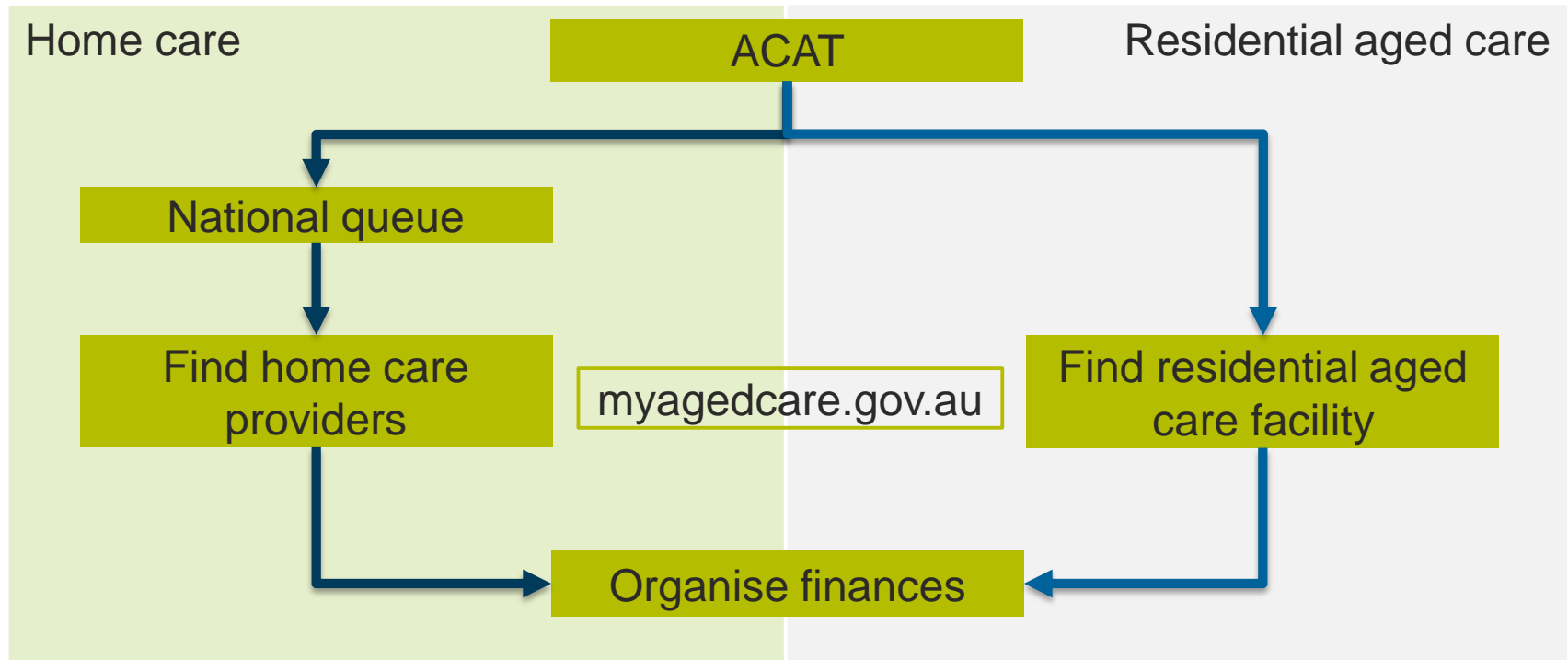
Watch intro video ▶

 Print

 Share

Aged care advice opportunities

Aged care providers



Aged care advice opportunities

myagedcare.gov.au



- Home
- Types of care ▾
- Assessment ▾
- Find a provider ▾
- Manage my services ▾
- Contact us ▾



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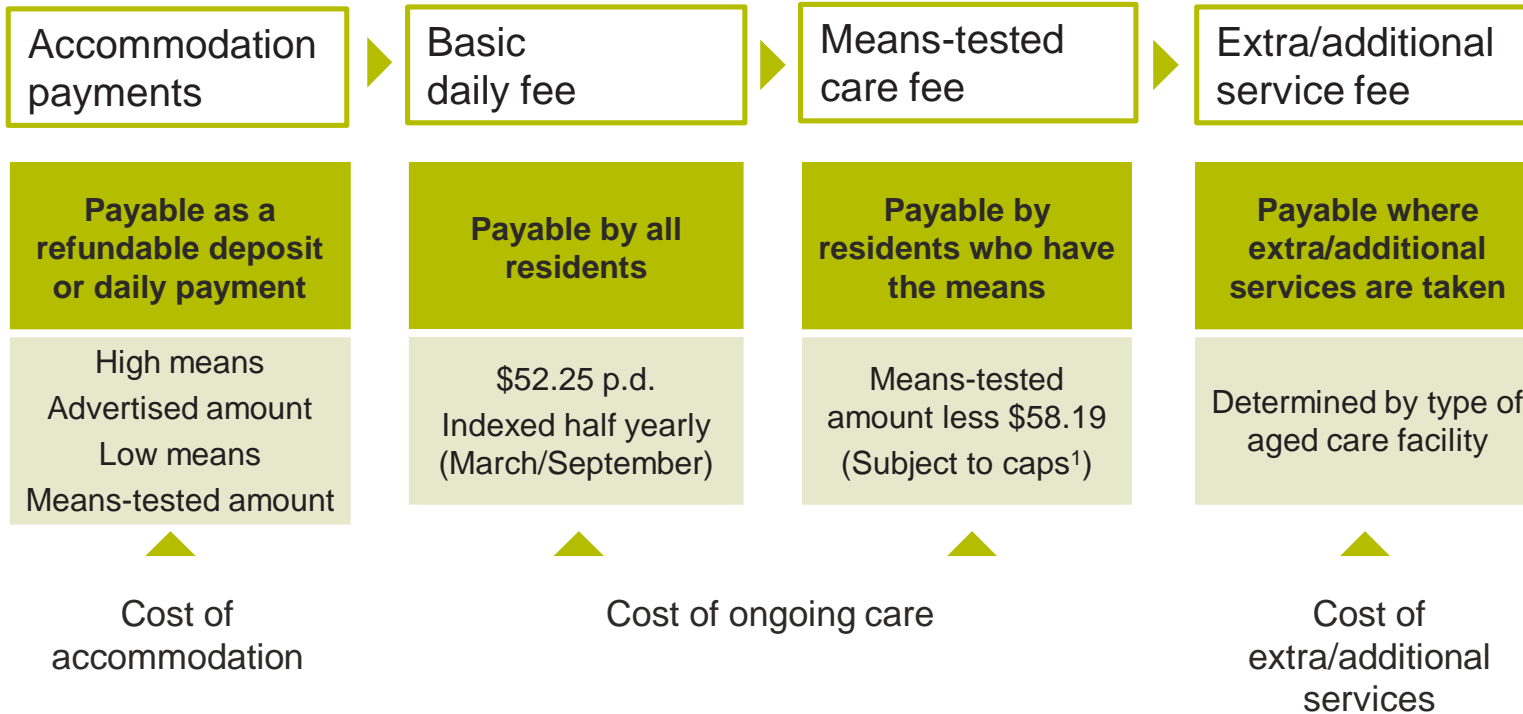
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Residential aged care fees

Residential aged care fees

Accommodation and ongoing care

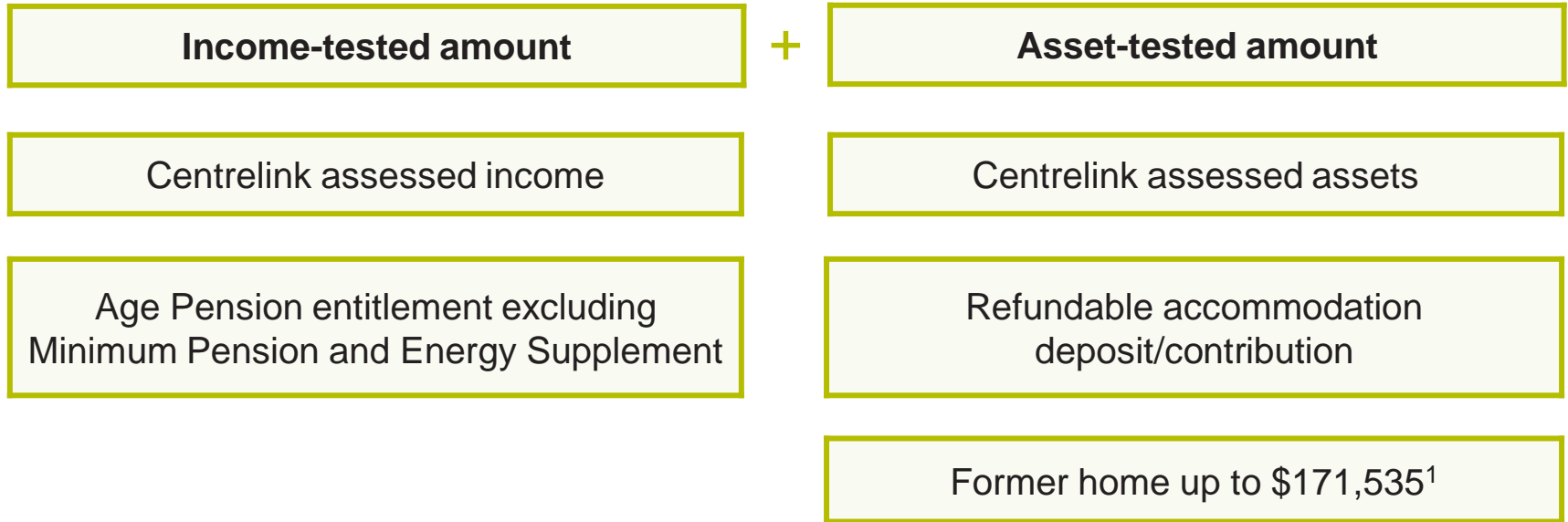


Rates and thresholds as at 1 January 2021

¹ Means-tested care fee has an annual cap of \$28,087 and a lifetime cap of \$67,410

Residential aged care fees

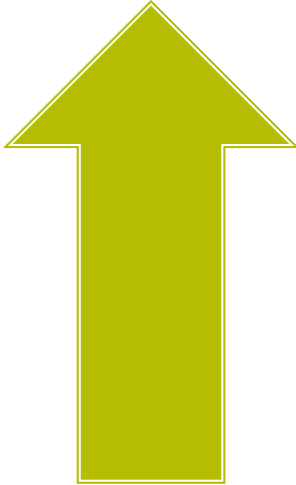
Means testing



¹ Rates and thresholds as at 1 January 2021

Residential aged care fees

Does the client have the means?



High means client

Assessable income

> \$70,203 (Single)

> \$69,683 (Couple)

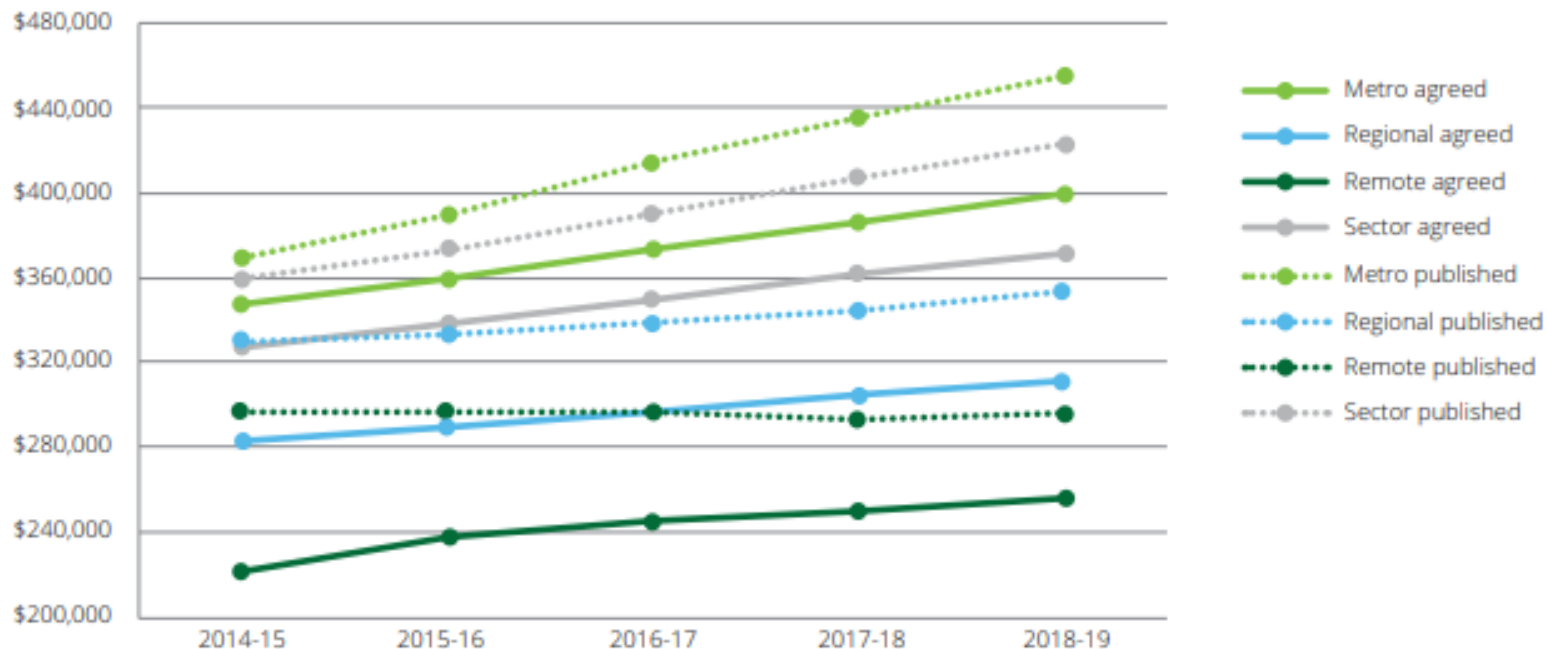
OR

Assessable assets

> \$171,535 (Single and couple each)

Residential aged care fees

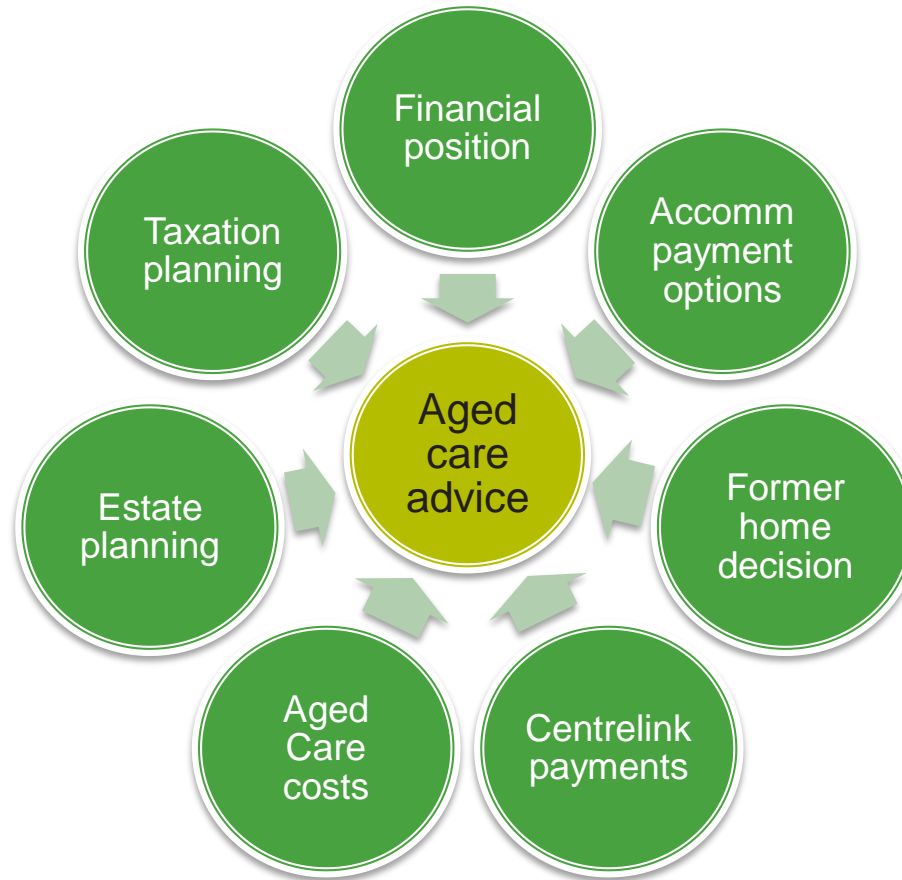
Average published and agreed accommodation price



Source: Eighth Report on the Funding and Financing of the Aged Care Sector

Residential aged care strategy

Residential aged care strategy



Residential aged care strategy

Accommodation payment options

Lump sum	Daily payment
Refundable Accommodation Deposit (RAD) ¹	Daily Accommodation Payment (DAP) ¹
Exempt for Centrelink purposes	Outstanding lump sum x 4.02% ² / 365
Not subject to deeming for aged care purposes	Can deduct DAP from RAD

Residents have 28 days after date of entry to decide how to pay

¹ Low means residents can pay a Refundable Accommodation Contribution (RAC) and/or a Daily Accommodation Contribution (DAC)

² MPIR as at 1 January 2021

Residential aged care strategy

Accommodation payment decision

Lump sum	Daily payment
4.02% ¹ p.a. interest on the outstanding lump sum	Insufficient liquid assets or are awaiting funds
Not receiving the full rate of Age Pension because of assessable assets or income	Wish to retain the former home
Paying means-tested care fee because of assessable income	Insufficient cash flow for ongoing aged care costs
Guaranteed by the Government	Reverse mortgage interest rate is greater than 4.02% ¹

Residential aged care strategy

Ricardo

- Ricardo (aged 85) is single and has been approved for residential aged care
- He sold his home and has \$500,000 invested in term deposits
- He has personal contents of \$5,000 and personal expenses of \$2,500 per annum
- The advertised accommodation payment is \$400,000 as a RAD equivalent to \$44.05 per day¹ as a DAP

Residential aged care strategy

Cash flow comparison (DAP vs RAD)

	Year 1	\$400,000 DAP \$500,000 term deposit	\$400,000 RAD \$100,000 term deposit
Cash flow	Age Pension ¹	\$21,771	↑ \$2,781 → \$24,552
	Investment income ²	\$7,000	\$1,400
	Other expenses	(\$2,500)	(\$2,500)
	Total	\$26,271	\$23,452
Care fees	DAP ³	\$16,080	↓ \$16,080 → N/A
	Basic daily fee ¹	\$19,071	\$19,071
	Means-tested care fee ¹	\$5,654	↓ \$1,394 → \$4,260
	Total	\$40,805	\$23,331
Cash flow	(\$14,534)	↑ \$14,655 →	\$121

1 Centrelink and aged care rates and thresholds as at 1 January 2021

2 Term deposit assumed interest rate of 1.4% p.a.

3 MPIR as at 1 January 2021

Residential aged care strategy

Assessment of the former home

Means test	Assets	Income
Centrelink	2 year exemption ¹ Fully assessed after 2 years ²	Assessed
Aged care	Exempt if occupied by protected person ³ Otherwise, assessed up to \$171,535 ⁴	Assessed

1 Starting from when last spouse leaves the home. Resident considered a homeowner

2 Resident considered a non-homeowner

3 Protected person includes a spouse or dependent child, carer eligible for an income support payment who has been living in the home for the past 2 years or close relative eligible for an income support payment who has been living in the home for the past 5 years

4 Rates and thresholds as at 1 January 2021

Residential aged care strategy

Former home decision

Keep home	Sell home
Growth in the value of the home	Fund lump sum accommodation payment
Bequest the home to beneficiaries	Ongoing maintenance of the home
Asset value exemptions for Centrelink and aged care purposes	Asset value of the home has become assessable for Centrelink purposes

Licensee may prevent advice regarding the former home

Residential aged care strategy

Angelina

- Angelina (aged 85) is single and has been approved for residential aged care
- She has her home worth \$900,000 and expects to receive net rent of \$550 per week
- She has \$300,000 invested in term deposits
- She has personal contents of \$5,000 and personal expenses of \$2,500 per annum
- The advertised accommodation payment is \$600,000 as a RAD equivalent to \$66.08 per day¹ as a DAP

Residential aged care strategy

Cash flow comparison (keep vs sell home)

	Year 1	Keep home \$250,000 RAD \$350,000 DAP \$50,000 term deposit	Sell home \$600,000 RAD \$600,000 term deposit
Cash flow	Age Pension ¹	\$12,503	↑ \$2,494 → \$14,997
	Rental income	\$28,600	N/A
	Investment income ²	\$700	\$8,400
	Other expenses	(\$2,500)	(\$2,500)
	Total	\$39,303	\$20,897
Care fees	DAP ³	\$14,070	↓ \$14,070 → N/A
	Basic daily fee ¹	\$19,071	\$19,071
	Means-tested care fee ¹	\$9,731	↑ \$8,566 → \$18,297
	Total	\$42,872	\$37,368
Tax	(\$2,317)	\$0	
Cash flow	(\$5,886)	↓ \$10,585 → (\$16,471)	

1 Centrelink and aged care rates and thresholds as at 1 January 2021

2 Term deposit assumed interest rate of 1.4% p.a.

3 MPIR as at 1 January 2021

Residential aged care strategy

Cash flow comparison (after 2 years)

	Keep home \$250,000 RAD \$350,000 DAP \$50,000 term deposit	Year 1	Year 3
Cash flow	Age Pension ¹	\$12,503	\$0
	Rental income	\$28,600	\$29,580
	Investment income ²	\$700	\$529
	Other expenses	(\$2,500)	(\$2,586)
	Total	\$39,303	\$27,523
Care fees	DAP ³	\$14,070	\$14,070
	Basic daily fee ¹	\$19,071	\$19,725
	Means-tested care fee ¹	\$9,731	\$3,805
	Total	\$42,872	\$37,600
Tax	(\$2,317)	\$0	
Cash flow	(\$5,886)	(\$10,077)	

1 Centrelink and aged care rates and thresholds as at 1 January 2021

2 Term deposit assumed interest rate of 1.4% p.a.

3 MPIR as at 1 January 2021

Challenger CarePlus investment solution

Challenger CarePlus investment solution

CarePlus Annuity
(Immediate Lifetime Annuity)



CarePlus Insurance
(Life Insurance)

- Provides guaranteed cash flow for life
- Lifetime death cover with no exclusions
- Voluntary surrender value
- Ability to nominate beneficiaries
- Efficient interaction with Centrelink and aged care rules

Challenger CarePlus investment solution

Means testing

- CarePlus Annuity
 - **Income Test:** 60% of payments; and
 - **Assets Test:** 60% of purchase price until age 84¹, or for a minimum of 5 years, and 30% thereafter
- CarePlus Insurance
 - **Income Test:** Nil
 - **Assets Test:**
 - Below pension age at the time of investment:
 - Surrender/termination value
 - Pension age and over at the time of investment:
 - Greater of the insurance premium paid or the surrender/termination value

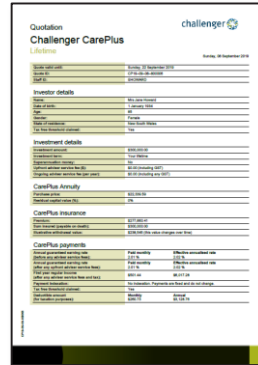
¹ These rules link this initial assets test assessment to a period equal to the life expectancy of a 65 year old male at the commencement of the income stream, currently age 84

Challenger CarePlus investment solution

Example \$100,000 investment



\$100k



- \$100k death benefit
- Payments of \$2,034 p.a.¹
- Efficient interaction with Age Pension and aged care fees
- Ability to nominate beneficiaries

	CarePlus Annuity	CarePlus Insurance	Assessed value
Assets test	\$8,847 60% of purchase price of \$14,745	\$85,255 Premium paid	\$94,102
Income test	\$1,220 60% of income payment	Nil	\$1,220

¹ Challenger Aged Care Calculator 21/01/2021, 85 year old female, nil adviser fees

Case study

Case study

Jane

- Jane (aged 85) is single living in residential aged care
- She paid \$400,000 as a RAD and has \$400,000 invested in term deposits
- She has personal contents of \$5,000 and personal expenses of \$2,500 per annum
- She is entitled to an Age Pension of \$22,896 per annum¹ under the Income Test

¹ Centrelink rates and thresholds as at 1 January 2021

Case study

Cash flow in year 1

	Year 1	\$400,000 term deposit
Cash flow	Age Pension ¹	\$22,896
	Investment income ²	\$5,600
	CarePlus annuity	Nil
	Other expenses	(\$2,500)
	Total	\$25,996
Care fees	Basic daily fee ¹	\$19,071
	Means-tested care fee ¹	\$11,107
	Total	\$30,178
	Cash flow	(\$4,182)
	Estate value	\$800,917

1 Centrelink and aged care rates and thresholds as at 1 January 2021

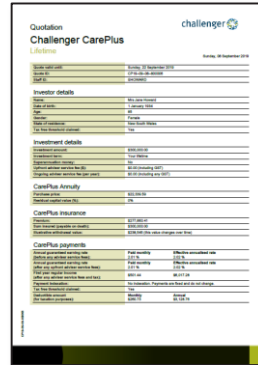
2 Term deposit assumed interest rate of 1.4% p.a.

Case study

Challenger CarePlus



\$350k



- \$350k death benefit
- Payments of \$7,119 p.a.¹
- Efficient interaction with Age Pension and aged care fees
- Ability to nominate beneficiaries

	CarePlus Annuity	CarePlus Insurance	Assessed value
Assets test	\$30,964 60% of purchase price of \$51,606	\$298,394 Premium paid	\$329,358
Income test	\$4,271 60% of income payment	Nil	\$4,271

¹ Challenger Aged Care Calculator 21/01/2021, 85 year old female, nil adviser fees

Case study

Cash flow comparison in year 1

	Year 1	\$400,000 term deposit	\$50,000 term deposit \$350,000 CarePlus
Cash flow	Age Pension ¹	\$22,896	\$24,552
	Investment income ²	\$5,600	\$700
	CarePlus annuity ³	Nil	\$7,119
	Other expenses	(\$2,500)	(\$2,500)
	Total	\$25,996	\$29,871
Care fees	Basic daily fee ¹	\$19,071	\$19,071
	Means-tested care fee ¹	\$11,107	\$9,862
	Total	\$30,178	\$28,933
Cash flow	(\$4,182)	\$938	
Estate value	\$800,902	\$806,022	

1 Centrelink and aged care rates and thresholds as at 1 January 2021

2 Term deposit assumed interest rate of 1.4% p.a.

3 Challenger Aged Care Calculator 21/01/2021, 85 year old female, nil adviser fees

Case study

Cash flow and estate value over 5 years

Cash flow	Year 1	Year 2	Year 3	Year 4	Year 5
Term deposit	(\$4,182)	(\$3,865)	(\$3,550)	(\$3,242)	(\$2,935)
CarePlus	\$938	\$1,081	\$1,222	\$1,369	\$1,518

Estate value	Year 1	Year 2	Year 3	Year 4	Year 5
Term deposit	\$800,902	\$797,123	\$793,661	\$790,510	\$787,667
CarePlus	\$806,022	\$807,188	\$808,498	\$809,958	\$811,568

Why provide aged care advice?

Why provide aged care advice?

Questions to consider

- Why might clients seek aged care advice?
- Is aged care advice valuable?
- How is aged care advice different from any other advice?
- Should you provide aged care advice?
- Where will aged care advice clients come from?

Thank you



Sean is the Technical Services Manager with the Challenger Technical Team. Sean has worked in Technical Services for over 15 years with previous roles at BT Financial Group and AMP. Sean has a Bachelor of Commerce and currently lectures the Aged Care Planning course at the University of New South Wales.

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