INSIGHTS

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FINANCIAL ISSUES AFFECTING YOUR LIFESTYLE

LIVING INDEPENDENTLY: A LOOK AT IN-HOME CARE OPTIONS

Are you, or is someone you know, in need of aged care services but not quite ready to move into residential care? With a range of government programs and technological solutions available, many retirees are now able to get the support they need in the comfort of their own home.

The decision to move into an aged care facility – whether for yourself, your partner or a relative – can be an emotionally charged one. Not only is it a major life change; it often means selling the family home as well.

Many seniors would prefer to live independently for as long as possible, and there are a growing number of options available to support this choice – from government-funded services to technological solutions.

Here's how to make the most of what's on offer, so you or your loved one can enjoy top-notch care at home.

A financial helping hand

As part of the 2018 Federal Budget, the government announced an increase in home care funding to help more seniors stay in their homes for longer. There are currently two programs available:

- **The Commonwealth Home Support Program** provides entry-level help around the house with things like food preparation, housework, shopping and transport. This can either be on an ongoing basis or for a short-term period during an illness or after a hospital stay.
- **The Home Care Packages Program** offers support for seniors with more complex needs. This may include help with personal care and dressing, assistance to access outside support services and clinical care such as nursing, health and physiotherapy. The program is structured into four levels ranging from basic to high-level care.

Before you can get home care assistance, a member of your local Aged Care Assessment Team, a team of medical and allied health professionals, will meet with you to assess your needs. If they confirm that you're eligible for care, they'll make a recommendation based on your individual requirements.

Next, you can begin researching home care providers in your local area to find one that's suitable for you. When you've chosen a provider, you enter into a Home Care Agreement with them.

You can find out more about the government's home care services on the Ageing and Aged Care website.

Calculating the costs

Although the government subsidises home care service fees, you're also expected to pay some of the costs yourself. The amount you need to contribute will depend on your income and the type and level of care you need.

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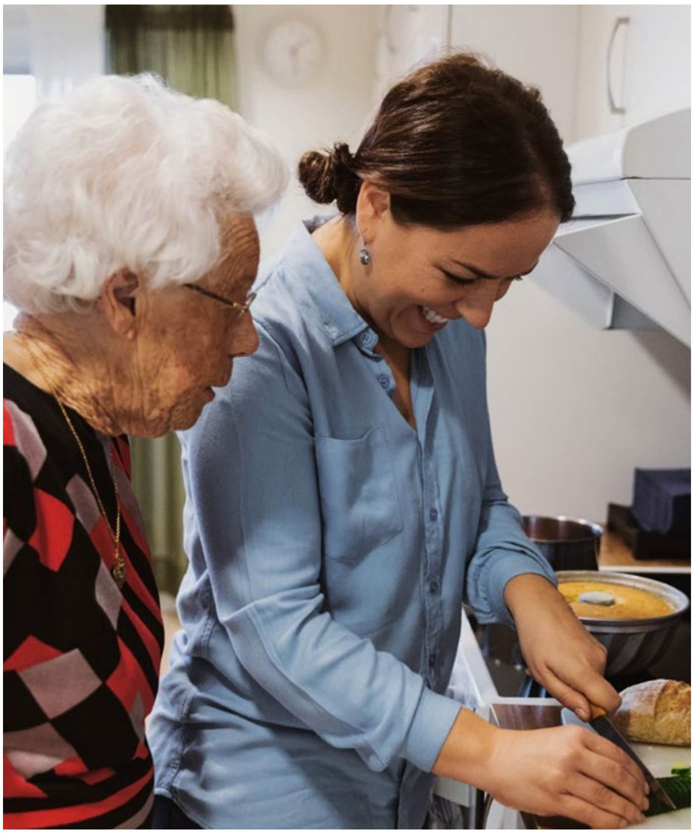


For the Home Care Packages Program, you'll have to complete an income assessment for the Department of Human Services. However, this might not be needed if you're already receiving means-tested benefits such as the Age Pension.

Home care costs can vary greatly from one provider to another, so it's a good idea to do your research first. Generally speaking, there are three types of fees:

- **A basic daily fee:** calculated as 17.5% of the Age Pension single person rate – currently $10.32 a day or $144.48 a fortnight.[1]
- **An income-tested care fee:** determined by the Department of Human Services, – up to a maximum of $14.81 per day if you are single and your income is less than $51,667.20, or $29.63 per day if it's more.[2]
- **Additional fees:** for extra services not covered by your home care package.

You can use the online Home Care Fee Estimator tool to calculate how much you'll be charged. Your financial adviser can also help you work out your home care budget and find an affordable option.

Adapting your home

As well as receiving in-home support, there are many ways to make your home itself more senior-friendly. The older you get, the more susceptible you are to trips and falls, so it's a good idea to remove any potential hazards like loose rugs and floor-based ornaments.

If your home has stairs, you might consider adding railings or grips to help you get up and down as you become less mobile. If you need to use a wheelchair or walker, you might be able to install ramps and widen doorways to make it easier to get around.

The bathroom is often a tricky area to navigate, so it's essential to make sure you can get in and out of the shower or bath safely. You can attach non-slip strips and grab bars to the bathtub to provide some extra stability, or you might actually prefer to replace the bath with a walk-in shower to reduce the risk of falling.

Finally, you'll want to put everything you need in your home within reach, especially in the kitchen if there are high cabinets. If you have arthritis or pain in your joints, you could even replace round doorknobs with handles that are easier to open.

Innovation at your fingertips

To complement traditional care services, tech advances and new treatment options are emerging as game-changers for in-home care.

There are all sorts of apps available for checking your blood pressure, setting medication reminders and booking doctor's appointments. And if you find reading and writing a challenge, you can dictate emails to a virtual assistant, use an online magnifying glass or enlarge the interface on your phone.

The internet is also wonderful at creating communities; you can use it to connect to local support services so you can let them know straight away when you need help.

Talk to your adviser

If you're weighing up your home care options for yourself or an elderly relative, it's worth speaking to your financial adviser. They can help you assess your options, entitlements and associated costs – as well as assisting with your estate planning needs. That way, you can be sure that your aged care strategy is the right match for your financial situation and family circumstances.

1 Australian Government Department of Health, 'Schedule of Fees and Charges for Residential and Home Care: From 1 July 2018', available at: https://agedcare.health.gov.au/funding/schedule-of-fees-and-charges-for-residential-and-home-care-from-1-july-2018
2 Australian Government Department of Health, 'Schedule of Fees and Charges for Residential and Home Care: From 1 July 2018, available at: https://agedcare.health.gov.au/funding/schedule-of-fees-and-charges-for-residential-and-home-care-from-1-july-2018.

REDUCING THE IMPACT OF REDUNDANCY

We all like to think our job is secure, but it's hard to be certain when the employment market is constantly changing. Here's how to future proof financial matters so you, or a friend or family member can stay on track if made redundant.

In the past, workers could expect to have a job for life, but this is rarely the case in the 21st century. In fact, 2.3% of Australian workers are made redundant every year due to business closures and downsizing.[1]

With the increased casualisation of the workforce, and as technological advances continue to make many professions obsolete, it makes sense to be prepared for whatever might be around the corner.

Here are some ways to help your finances absorb the shock if your employment situation changes.

1 Protect your income

Income protection insurance pays you a regular benefit if you're unable to work due to illness or injury, but does your policy cover you for redundancy? Some insurers are now starting to offer involuntary unemployment cover, which can provide up to 85% of your usual income for a specified period if you're made redundant.

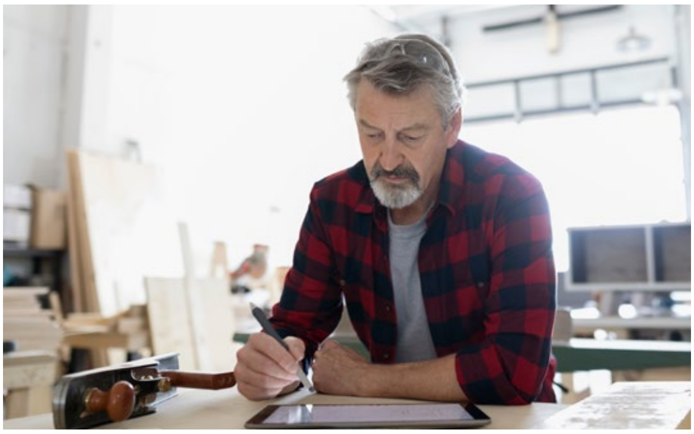
These types of policies usually only cover you if you're actually laid off, not if you quit or get fired. You'll also need to have worked for your employer for a certain length of time before you can make a claim, and during the payment period you can't work at all.

To review your insurance options or make sure your income protection plan is up to date for your circumstances, it's best to talk to your financial adviser.

2 Upgrade your skills

If you've been in the same role or with one organisation for a long time, it might be a while since you last did any formal training. So to maximise your chances of re-employment, it may be worth investing in some professional development and upskilling. Naturally, you'll need to weigh the costs of any training against the potential benefits, so explore your options thoroughly before forking out for an expensive course.

Redundancy can also provide a great opportunity to reflect on your career path and goals. For example, you may decide it's time for a career change, or you might strike out on your own and start a business. Just make sure you fully understand the costs involved and the skills or qualifications you'll need before making any life-changing decisions.



3 Use your payout wisely

If you land a redundancy package, you'll want to make your payout stretch as far as possible while you consider your next steps. It's tempting to splurge when you receive a lump sum, but be careful if you need to rely on that money until you're earning a regular income again.

Your financial adviser can discuss options to stabilise your finances while you're not working, taking into account your bills, debts and regular expenses. If there's cash to spare, they might encourage you to invest it for the future so you don't burn through it all at once.

4 Consider your retirement plan

Redundancy isn't easy for anyone, but it can be particularly challenging if you're in the final stages of your working life. So if you're approaching retirement, you might consider retiring early rather than dealing with the stress of job hunting.

Another option could be to take on some part-time work while drawing a pension from your super to supplement your reduced income. If you're over 60, your pension payments are usually tax-free.

There are plenty of other rules around this kind of transition-to-retirement strategy, so it might not suit everyone. Your financial adviser can help you decide if it's the right option for you.

Helping you stay on track

No matter what stage of life you're at, becoming redundant is bound to shake up your finances to some extent. So even if you're currently secure in your job, you might want to ask your financial adviser to tailor your financial plan so that you'll have a safety net in case your situation changes.

And if you're facing redundancy right now, talk to your financial adviser as soon as possible. They'll help you make the most of your payout so you can stay on course towards achieving your financial goals.

1 OECD, Back to Work: Australia: Improving the Re-employment Prospects of Displaced Workers, 2016.

Q&As

Answers to some common questions we have recently been asked.

Q: I have two employers who are both paying superannuation guarantee contributions. I am worried that these contributions will push me over the $25,000 concessional cap this financial year. Is there anything I can do to avoid that situation?

A: Luckily there is some relief on the horizon. The Government is currently forming legislation which, if made law, will allow a person who is likely to exceed their concessional cap to apply to the ATO to have one of their employers cease contributing super guarantee for a quarter (this will only be an option for someone who has more than one employer). By getting permission for one of your employers to cease contributing to your super you may be able to avoid exceeding your concessional contributions cap. These new rules are expected to be operative before the end of 2018.

Q: I am a full-time carer for my husband – what are the upcoming changes to the Carer Allowance?

A: From 20 September 2018, a new income test will be introduced for Carer Allowance (a fortnightly income supplement paid to qualifying carers who provide additional daily care and attention to an adult or dependent child). Currently, Carer Allowance is not means tested. The new income test will be $250,000 and is based on your household Adjusted Taxable Income and includes deemed income from account based pensions if you are over the age of 60. It is expected that this will affect approximately 7,000 Carer Allowance recipients.

Q: I was just reviewing my pension statement. I commenced an account-based pension in July 2017 with $1,550,000 and on 30 June 2018 it has grown to $1,605,000. I don't have any other superannuation. Do I have to do anything now that the balance exceeds $1.6 million?

A: Since you started your account based pension with $1,550,000 after 1 July 2017, this is the amount that is reported to the ATO for your 'transfer balance account'. Different income streams are valued in different ways, so it is always best to check with a financial adviser. The ATO tracks the amount of money you transfer from accumulation into retirement phase, and limits this to $1.6 million. Since your transfer balance account is $1,550,000 you are still within the $1.6 million transfer balance cap and you don't have to take any action.

On the other hand, your 'total superannuation balance' is measured each 30 June. Your total superannuation balance includes all your superannuation, whether it is in accumulation or pension phase. Different income streams are valued differently for this purpose. In your case, the 30 June account balance of your account based pension represents your total superannuation balance. Since your total superannuation balance is more than $1.6 million at 30 June 2018, during the 2018-19 financial year:

- your non-concessional contributions cap is zero (any non-concessional contributions you make this financial year will be excessive)
- you are not eligible to receive any Government co-contributions
- if a spouse contributes to super on your behalf they will not be able to claim a superannuation tax offset, and
- if you have a self-managed superannuation fund it may have to change its method of accounting for the tax-free earnings within the fund.

Transfer balance caps and total superannuation balance can get complicated – so it's a good idea to get in touch with your adviser if you have any questions.

SPEAK TO US FOR MORE INFORMATION

We are always available to discuss any questions or concerns you may have.

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