

Cornucopia

Hudson Retirement

/kornyoookopi • noun -an abundant, overflowing supply



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Hello [membersalutation],

In this edition of Cornucopia, we take a look at **Aged Care accommodation options** and the factors that need to be considered. If the need arises, such an event can be a very emotional and difficult time for all those involved. Some pre-planning may help with the financial stress involved.

On a lighter note, we also look at some options to give the grandchildren a financial head start as they enter their adult lives.



As always, if you have any questions or topics you wish to know more about, please do not hesitate to drop us a line.

Until next time, take care,

Stephen Rake - Retirement Planner



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Moving into an aged care home can be a complicated and emotional process. There are many issues to consider and good financial advice can make the transition easier and minimise costs.

The Ageing Population

Australia's ageing population is steadily increasing, with many of the baby boomer generation born between 1946 to 1966, entering the aged care bracket between 2011 and 2031. At present, 13% of the population (approximately 2.8 million people) is aged 65 years or over, and this is expected to increase to 25% over the next 40 years*.

For some of these baby boomers, it may mean looking into alternative accommodation such as aged care homes and other care arrangements. The decision as to which type of accommodation or care arrangements you require may be based on lifestyle choice, or a need for assistance with daily living activities if it becomes harder to manage on your own.

If you require assistance with daily living activities, one of the hardest decisions you may have to make is whether to remain in your home or move to a hostel / nursing home. If you remain in your home, there are various community programs available which can help you. On the other hand, if you require accommodation in an aged care facility, you will need to take into account a variety of financial, legal and social security issues.

Aged Care in Australia



Looking into the different types of aged care accommodation available, and the associated costs, can be quite complex and requires careful consideration. This is where financial planning can help to alleviate these concerns, and help potential residents achieve the kind of retirement lifestyle they desire.

Some important aspects you need to consider include, payment of accommodation bonds, fees and charges, arranging aged care assessments, tax implications and estate planning.

Hostel and Nursing Home Care

Aged care facilities are commonly referred to as hostels and nursing homes. The main difference between the two lies in the level of care provided.

People who require some help with daily living activities may require low level care such as hostel accommodation. On the other hand, people who require 24-hour nursing care may be more suited to high level care that nursing home accommodation provides.

To enter a hostel or a nursing home, you need to be assessed based by an Aged Care Assessment Team (ACAT). The ACAT will make a determination whether low care or high care is required. A financial adviser can help organise an assessment for you.

What Does Aged Care Cost?

Although aged care accommodation is subsidised by the Government, a resident will generally be required to contribute towards their own care by paying various fees and charges.

Aged care fees and charges can often be complex and can vary according to your circumstances. The fees and charges are generally calculated in relation to your level of income and assets.

Residents of hostels and nursing homes are required to pay a daily care fee and income tested fee depending on their level of income, plus an accommodation bond or charge.

According to the Department of Health "Ageing and Aged Care in Australia July 2008" report, the total average cost borne by an individual:

- in a hostel is \$18,545 p.a.*
- in a nursing home is \$16,350 p.a.*

* Based on 2006/07 costs.

A financial adviser can work out what fees and charges you need to pay for the type of accommodation you require. In some cases, an adviser may be able to put a strategy in place to reduce the fees.



The Family Home and Social Security Entitlements

One of the main considerations when entering an aged care facility is deciding whether you should keep or sell your home. Whichever you decide, will have implications for any social security benefits you receive and your estate planning needs.

Many people want to keep their family home to pass onto their children and loved ones. There are a few strategies an adviser can suggest which could enable this to happen, help you maintain your Age Pension and ensure that your family home is not counted as an asset.

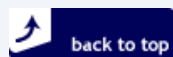
If you wish to leave your home to your children or other loved ones, it is vital that you have an up-to-date Will stating your wishes.

Getting Assistance

There are many complex factors to consider when considering aged care accommodation and services, so it is essential that you obtain quality financial advice.

At Hudson, we can work through the options with you and help put you in the best financial position. The difference between no advice and good advice can be the difference between the family needing to subsidise the costs or not. [Make an appointment to talk your financial advisor today.](#)

* Source: 'Australia's Demographic Challenges' 2004, Australian Government Treasury.



In the news...



Since the announcement of the pension reforms in the May 2009 budget, there have been many questions about how these rules will work.

In means testing age pension payments, the assets and income tests are applied simultaneously. Whichever test pays the lesser rate of pension, is the test under which the pension recipient will be paid. However, due to grandfathering arrangements there will be three rate calculations for those in receipt of a pension as at 19 September 2009:

- The assets test
- The transitional income test (40c taper rate)
- The new income test (50c taper rate)

Those part-rate pensioners, whose pension payments did not increase on 20 September 2009, will be tested under the transitional income test. All others will be income tested under the new income test. This will include all new claimants, all existing asset tested pensioners, all full-rate pensioners, and all existing pensioners who received a higher rate of pension as at 20 September 2009.

All in all, the changes should result in all existing pensioners, as at 20 September 2009, being paid the same or more pension as they were receiving previously.

Information sourced from Colonial First State FirstTech Services

Centrelink Basic Age Pension Rates per fortnight

Single \$615.80

Couple \$464.20 each

Centrelink Age Pension Thresholds



Upper Thresholds for Assets and Income Tests have been Increased:

Assets Test

Family Situation	For full pension – up to	For part pension – less than
Single Homeowner	\$178,000*	\$626,000
Couple Homeowner	\$252,500*	\$928,000
Single Non-Homeowner	\$307,000*	\$755,000
Couple Non-Homeowner	\$381,500*	\$1,057,000

* Assets over these amounts reduce pension by \$1.50 per fortnight for every \$1,000 above the threshold (single and couple combined)

Income Test

Family Situation	For full pension – up to	For part pension – less than
Single	\$142 p/f *	\$1,485.80 p/f
Couple	\$248 p/f *	\$2,274.00 p/f

Income Test –Transitional Rules

Family Situation	For full pension – up to	For part pension – less than
Single	\$142 p/f **	\$1,704.25 p/f
Couple	\$248 p/f **	\$2,771.50 p/f
** Income over these amounts reduces the rate of pension payable by 50 cents in the dollar (single), 25c in the dollar each (for couples). For transitional or saved cases income over these amounts reduces the rate of pension payable by 50 cents in the dollar (single), 25c in the dollar each (for couples).		

Information sourced from A Guide To Australian Government Payments 19 September – 31 December 2009

Want to know more?

Book a consultation with Stephen Rake by calling
free call 1800 804 296 or [book online](#).
[READ OUR GENERAL ADVICE WARNING](#)



One of life's most precious gifts to a family is the **birth of a new born baby**. Both parents and grandparents want the absolute best for the new arrival. As such, we often get asked, particularly from grandparents, about the best investment option as a gift for the child's future.

In most circumstances, the money is to be invested until the child needs it for tertiary education, their first car or a house deposit etc. Accordingly, we could be talking a timeframe of 15-20 years.

With this in mind, some of the popular options include managed funds, tax-effective investment bonds and shares. Let's take a look at each:

Managed Funds

A managed fund is a professionally managed investment portfolio that individual investors can buy into. The investment portfolio can have exposure to a mix of cash, fixed interest, shares and property or you can specify a specific fund dependant upon asset class, and even to some extent, the types of companies, industries, sectors and countries the fund invests in.

One of the major advantages of a managed fund, is that you can commence the investment with as little as \$1,000 and still diversify your investments. This is because you share the costs of establishing and managing the portfolio with other members of the fund rather than having to pay the investment fees on your own.

However, a drawback when investing in a managed fund for a child, is that an adult must invest as trustee for the child, as most funds require investors to be at least 18 years of age. As such, all realised investment earnings (income and capital gains) will form part of the trustees assessable income for taxation purposes.



Tax Effective Investment Bonds

Tax effective investment bonds are similar to managed funds in that they provide access to professionally managed investment portfolios (investment options available are similar to that of managed funds) at competitive and affordable pricing. However, Tax Effective Investment Bonds are unique in that they are a 'tax paid' investment vehicle. That is, investment earnings are taxed internally within the bond at a maximum rate of 30%. Therefore, unless withdrawals are made, earnings on the bond do not form part of the investor's assessable income. In addition, after 10 years, all proceeds can be withdrawn without any additional tax payable.

Like managed funds, an adult will need to invest as trustee for a child (under the age of 16). However, when investing as a trustee for a child, one major advantage of a Tax Effective Investment Bond is the option of 'Child Advancement'. This allows

the child to take control of the investment at a nominated age (within a prescribed range), without any stamp duty or capital gains tax implications (terms and conditions apply).

As with managed funds, a Tax Effective Investment Bond can be commenced with as little as \$1,000.

Shares

Gifting a parcel of direct shares to a child is a popular method of providing potential future wealth to a child. When you buy a share you are in fact buying partial ownership of that company. The long-term investment performance will potentially depend on the long-term performance and profitability of the company invested in.



Due to brokerage costs, you generally require larger sums of money to obtain suitable diversification across company and industry sectors, when compared to managed funds or investment bonds. Much research suggests that a suitably diversified share portfolio should contain at least 15 stocks with at least \$3-5,000 initially invested in each stock.

The major advantage of investing directly in shares is that you decide exactly how the money is invested.

Similar to managed funds, shares can not be owned by anyone under the age of 18. Therefore, like for managed funds, tax implications for the adult holding the shares

needs to be considered.

Conclusion

Many factors will determine which option would be best suited if you intending on giving a child an 'investment' gift. The timeframe, the amount of funds available for the gift, any planned future contributions towards the investment, the associated risks, and the taxation consequences of the investment option chosen should be considered.

Also, if you are receiving any form of Centrelink or Veterans' Affairs payment, a gift may impact upon you benefit eligibility.

To discuss these or any other options you may be considering as a financial gift for a child, please contact your Hudson Adviser.

SOURCE | Colonial First State | ING | Australian Tax Office.



One way to make the most of your money is via possible savings on expenses. We often get asked about the Seniors Card and the Commonwealth Seniors Health Card and the eligibility rules for each.

Commonwealth Seniors Health Card (CSHC)

This card is for self-funded retirees of age pension age who do not qualify for an Age Pension because of assets or income levels. The major advantage of the card is that you will get a discount on prescription medicines through the Pharmaceutical Benefits Scheme (PBS). Other benefits may include:



- Bulk-billed GP appointments
- A reduction in the cost of out-of-hospital medical expenses
- Discounted fares on State rail services
- In some instances, additional health, household, transport, education and recreation concessions which may be offered by State or Territory and local governments and private providers
- You may also be entitled to receive the Seniors Supplement - a non-taxable payment made every 3 months to help with regular bills such as energy, rates and motor vehicle registration fees

To qualify, you must:

- Be an Australian resident, living in Australia, and
- Not subject to a newly arrived residents waiting period, and
- Have reached age pension age but do not qualify for Age Pension (or do not receive certain other Social Security/Veteran Affairs pensions/benefits)
- Provide Centrelink with your and your partner's tax file number, or be granted an exemption from providing your and your partner's tax file number, and
- Have an annual adjusted taxable income* of less than:
 - \$50,000 (singles)

- o \$80,000 (couples combined), or
- o \$100,000 (couples combined who are separated due to ill health).

The limit is increased by \$639.60 for each dependent child you care for.

* Adjusted taxable income generally includes taxable income, employer provided benefits and reportable superannuation contributions.

Seniors Card

Another card which offers benefits and discounts to retirees is the Seniors Card. This is a free card and is issued by every State and Territory government to eligible senior residents. The card entitles holders to a range of benefits provided by government and businesses.

The Card is available to Australians aged 60 years and over. Eligibility criteria and benefits vary slightly in each State and Territory.

Visit the web site for more information: www.seniorscard.com.au

Source: Centrelink: A Guide To Australian Government Payments



GLOSSARY OF TERMS

Building you a comprehensive glossary of terms through Cornucopia.

In this edition we thought we would look at some Aged Care Terms:

Aged Care Assessment Team (ACAT)

A team of health professionals who provide information, advise, and assistance to people who are having difficulty living on their own. They will determine what level of care is required and recommend care facilities in your area.

Nursing Home / Hostel

Nursing homes and hostels are categorised by the government as aged care facilities. The main difference between the two lies in the level of care provided. People who require a high level of care will generally require nursing home accommodation. On the other hand, people who require low-level care may be more suited to hostel care. For a person to be admitted to a nursing home or hostel there must first be an assessment of the person's needs by an [Aged Care Assessment Team \(ACAT\)](#).

Basic Daily Care Fee

The basic daily care fee is a contribution by the resident toward accommodation costs and living expenses such as meals, cleaning, laundry etc. It is the minimum fee payable by a nursing home or hostel resident.

Income Tested Fee

In addition to the basic daily care fee, an aged care resident may be asked to pay an income-tested fee. The income-tested fee may be adjusted at any time in line with changes to the resident's assessable income.

Accommodation Charge

A person who enters a high care facility (other than an extra service facility) may pay an accommodation charge which is a daily amount set at the time of entry to the facility and is based on the level of the person's assets.

Accommodation Bond

Hostel residents may be required to pay an accommodation bond. However, where an accommodation bond is payable, an accommodation charge cannot also be paid. An accommodation bond is usually a lump sum amount but may also be paid by way of periodic payments.



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