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### Considering a move into Residential Aged Care?

**From 1 July 2025 Under new aged care funding reforms,**

**wealthier families will face higher costs.**

These changes are only four months away, effective from 1 July 2025, aim to increase contributions from wealthier families. Specifically, the asset threshold for maximum fees will drop from the current \$2 million to around \$1 million.

**From the information generally known, at this time –**

**Key points include:**

- **\$238,000 threshold:** Residents with more than \$238,000 in assessable assets or over \$95,400 in assessable income will pay a new "hotelling supplement" of up to \$4,581 a year (\$12.55 a day). This is in addition to the basic daily care fee of \$23,203 per year (\$63.57 per day).
- **\$500,000 threshold:** Residents with assets of \$500,000 or more will face increased non-medical care fees starting July 1, 2025. For example, the means-tested fees for this group will rise by 7.8%, subject to daily and lifetime limits.
- **Exit fee:** A new 2% "exit fee" will be applied to refundable accommodation deposits (RADs). Under the new rules, aged care facilities will retain up to 2% per year for up to five years, meaning on a \$1 million RAD, the facility could keep \$20,000 in the first year and \$100,000 over five years. Previously, this money was refunded to the estate.
- **\$130,000 cap:** The means-tested care fee now has a lifetime cap of \$130,000, or four years in residential care, whichever comes first. This replaces previous caps.
- **Higher everyday living fee:** A new "higher everyday living fee" replaces the old "additional services" fees, which could vary widely. For a resident with \$1 million in assets, the total non-clinical care cost will rise by nearly \$28,000 annually.

The rules change the way wealthier people can plan for aged care. For example, the refundable accommodation deposit (RAD) system was previously advantageous for reducing means-testing for the age pension, but the new system changes that. Wealthier individuals must consider the implications of this shift in planning their finances.

For those considering aged care, moving before 1 July 2025, could be advantageous, as residents already in care on 30 June 2025, will be grandfathered under the old rules.

Importantly, these changes will not affect the medical care costs for any resident, regardless of their wealth, and full pensioners will see no change in their care fees.

In examples of different financial situations, residents who pay a RAD and have assets just above the pension threshold will pay significantly more under the new regime, even if they don't consider themselves wealthy.

The new rules also bring changes for those considering paying for care with a RAD versus a daily accommodation payment (DAP). With interest rates high, many are opting to pay the RAD in full, as DAPs are not refundable, unlike RADs.

With these complex changes commencing 1 July seeking sound and well-informed financial advice is highly recommended.

As further information is made known we will keep you informed.