



Aged care advice – what clients want

Ask clients where they want to live as they get older and most will probably respond that they want to remain in their own home. None of us want to think about getting old and becoming too frail to live independently.

Increasing life expectancies and improvements in medical technology mean we can expect to live longer and have more productive retirements. But there is still a high chance of needing help with daily living activities and/or medical care, especially at older ages.

The government is responding to public demands by funding more home care packages but these are not always adequate solutions. For many people a move to residential care is more suitable.

For clients and their families, the move into care is confusing and is a time filled with feelings of guilt, grief and fear. Clients are usually underprepared for a move which leads to panic and a sense of urgency when the time comes.

Financial planners and other advice professionals have a responsibility to clients to help raise awareness by proactively raising issues and being business ready to provide advice when the need arises. Effective planning gives clients more choices and greater control. It also provides opportunities to grow advice businesses.

Providing quality advice to clients extends beyond just calculating the fees and strategies to reduce fees or increase age pension. However, this is where most training and technical articles stop. This article takes a step further to discuss how you can be business ready to help your clients through the maze that is aged care.

Providing advice on aged care

Advice and help with aged care is often sought by the client's family rather than the client themselves. The principles of financial planning advice still apply but the specifics of aged care require a different approach and knowledge set.

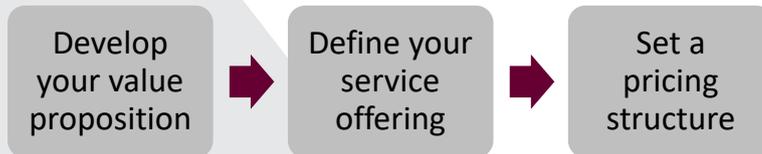
Before providing advice you need to ensure you are business ready. This includes:

- Having sufficient knowledge on the rules and practicalities of how the aged care system operates
- A defined value proposition which is linked to your service offer and pricing structure
- Client engagement skills including an understanding of the psychology of grief and stress management for clients and families and how to position conversations
- Determining who is your client and how to address advice
- Financial modelling tools
- The format for structuring advice documents
- Client marketing and communication materials
- Practice management tools and outcomes.



In this preparation, the first step is to set up your business model to include aged care advice as a profitable service offering. This requires you to know explicitly what you are going to do, what you need to charge and how it will add value to your clients.

Start with the following three step process.

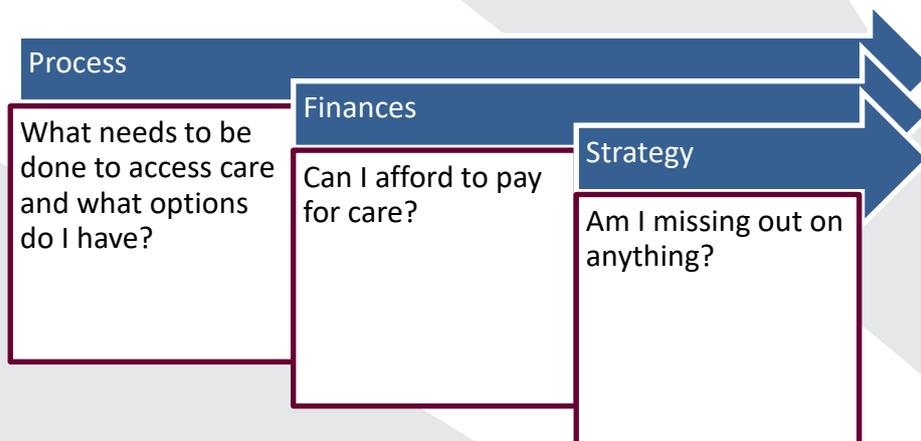


The pricing structure needs to fit into the ethos of your business but will include consideration for time spent, expertise involved and value added to the client. This basically means that what you can charge will depend on providing services that the client values.

What is really concerning clients?

Financial planners often start to solve aged care advice concerns by looking at ways to reduce fees or increase pension entitlements. Whilst important, these are not the initial concerns faced by clients or their families and should not be the driving factor for a client value proposition as this will limit how much clients are willing to pay. You are also unlikely to know what value you can create until after you have done the work.

Reflect on your experiences with clients and aged care to determine what were the main motivators leading to clients seeking advice. From our experience the concerns faced by clients seeking help with aged care generally fall into three main areas:



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For clients (and their families) peace of mind and a clear roadmap can make all the difference. Most people are time poor and need someone to help relieve the pressure and uncertainty. This should be the focal point for positioning the value of advice. Any savings in fees or additional government benefits should just be icing on the cake.



In developing your value proposition consider:

- Why clients are seeking help?
- What is most important to these clients?
- Where can you add value?

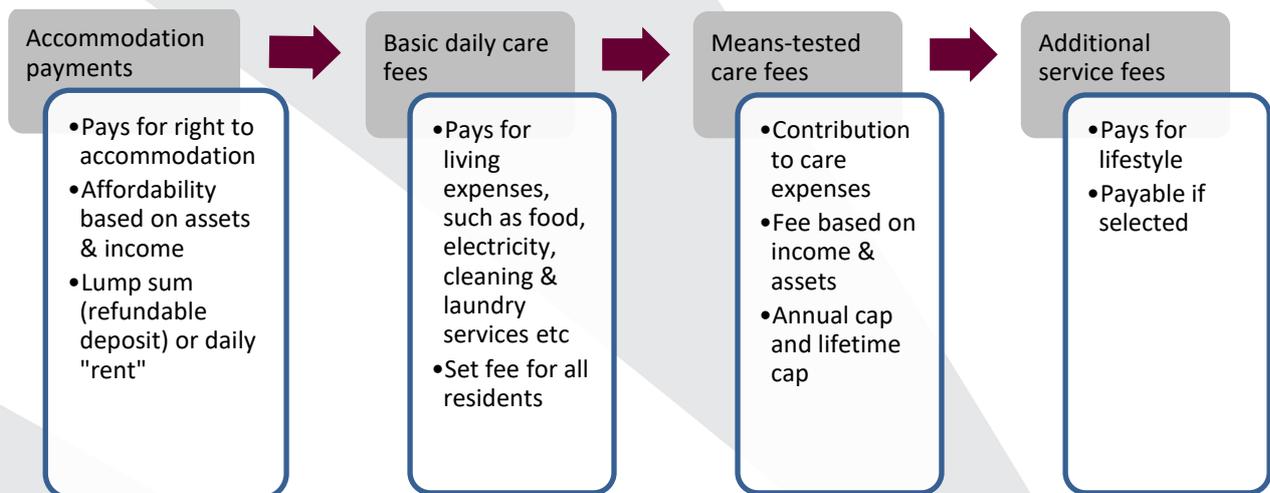
You need to be able to articulate this value proposition to clients and then deliver on it with an appropriate and defined service offering. This is the basis for setting pricing to ensure you can offer aged care advice as a viable and profitable part of your business.

Is care affordable?

Clients hear a lot about the high cost of care but are not sure what this means or whether they can afford the fees.

The cost to care for someone in a residential facility can be as high as \$245.62 per day (\$89,651 per year) plus the cost of accommodation. The government asks clients to pay what they can afford and then picks up the bill for the gap.

Residential care fees are divided into four categories as they each serve a different purpose:



Residents who moved into care before 1 July 2014 are grandfathered under old rules. The boxes are basically the same but the mechanics on how they are calculated will vary. Clients who enter care from 1 July 2014 are likely to face higher fees but they gain long-term protection with a lifetime cap on the means-tested portion of the daily care fee.

Accommodation payment negotiations

Payment for accommodation tends to cause clients and their families the most angst. For many clients this angst is derived from misinformation and a lack of understanding on how the system operates or what options they have available. It can also be driven by poor decisions.



Negotiations over accommodation payments are easier under the new rules as prices are now published on the aged care service's website as well as on the government website www.myagedcare.gov.au.

The outcome is that the amount payable is driven less by the affordability of the client and is more likely to be driven by commercial factors and the value of the accommodation. However, there is still some scope for clients with insufficient means to negotiate a lower price than what has been published. It may pay to ask the question when enquiring about placements.

Accommodation payments are quoted as a refundable accommodation deposit (RAD) which is also converted into an option for daily accommodation payments (DAP). The RAD is refundable so payment effectively quarantines part of the estate to provide accommodation for the remainder of the person's lifetime rather it being an expense.

Our view is that too much energy is expended on how to avoid or reduce the RAD. Securing a lower RAD may be important for clients with lower means but the most important aspect of aged care should be to secure a place in the residential service of choice when needed. Strategies to divest assets before needing to move into care may only limit control and choice over where and how the client can receive care.

The steps for keeping RAD considerations in perspective are:

- Step 1** What will it take to be offered a place?
- Step 2** Can the person afford this RAD?
- Step 3** Does the fee represent value for money?

To see how these steps apply in practice, let's review the case study below for Faye.

Faye's dilemma – case study

Faye has become too frail to continue living in her home. She has an Aged Care Assessment Team (ACAT) approval to move into residential care. Her daughter Caroline would like Faye to move to a residential service near her home so she can easily visit her mother.

Caroline has spent time investigating options in her local area and decided on a residential service which is five minutes from her home. It has a very good reputation and is quite new.

Now, comes the difficult part with funding the accommodation payment and determining affordability.

This is a new residential service and the provider is carrying significant levels of debt used to fund the purchase of land and the building construction. Accommodation payments are listed at \$650,000 - \$850,000 depending on the room.

Faye's only assets are her home in a regional town which is valued around \$360,000 and \$40,000 in the bank. She has home contents valued at \$5,000 but no car. Faye completes the Centrelink form to have her assets and income assessed.

As Faye lives alone her home is assessed at the capped value of \$165,271.20. This puts her assessable assets at \$210,271. She receives a letter from Centrelink stating that she does



not qualify for supported status as she is not a low-means resident. This means the government will not subsidise the cost of her accommodation, just her daily care fees. She needs to fully fund any accommodation costs.

A week later, Caroline receives a phone call to say that a place has become available and an appointment is made to discuss the opportunity for her mother to move in. Caroline takes the Centrelink letter to help with her negotiations.

The result however, may not be what Caroline was hoping. Unless the service provider is willing to accept a lower accommodation payment Faye will need to work out how to afford the payment of \$650,000 using daily payment options or start the search for another suitable place for her mother.

This outcome is not dissimilar to someone selling a house. If the seller wants a price of \$650,000 and the potential buyer can only borrow enough to pay \$360,000 the seller does not have to accept this price. The seller can choose to either drop the sale price to accept the offer or discontinue negotiations and look for a new buyer. The same can happen with residential aged care.

Helping clients understand RADs

It should be remembered that RADs are not necessarily bad. Helping clients to understand the implications of RADs may help them to be comfortable with paying this amount.

- RADs are government guaranteed (if paid to an approved service provider)
- RADs are exempt under the Centrelink/Veterans' Affairs income and assets tests and can help to maximise age pension, but are included when calculating the daily care fees
- The RAD is not a true fee, but rather is, as the name implies, a refundable deposit. The full amount is refundable when the client leaves or passes away unless they have allowed ongoing fees to be deducted from the RAD
- RADs are held in trust by the aged care service, which can help to protect the estate.

Getting your business ready

Advice on aged care is a complex area, but can be a profitable avenue for building your advice business.

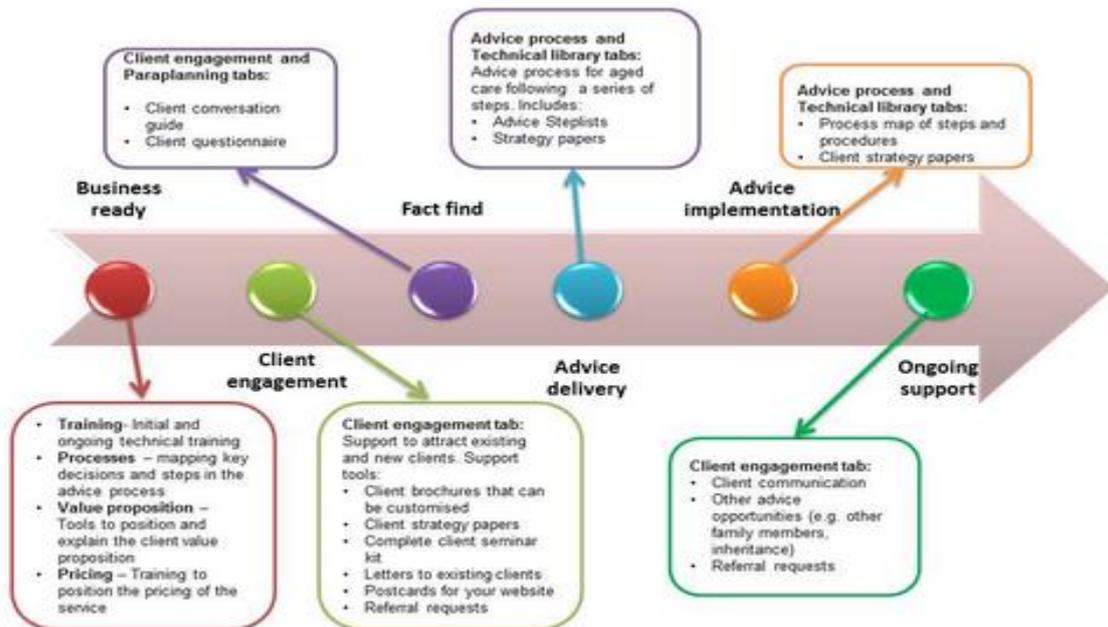
Aged care advice can help you to deepen your existing relationships with clients and protect your client base. It can also provide opportunities for referrals and to obtain new clients.

In most cases the advice is given to the children of the older person – and these “children” are usually in their fifties or sixties. As well as a fee for service, helping the children navigate the process and financial aspects of aged care is a good basis to build a relationship to provide them with their own personal advice.

The diagram below outlines the advice stages and ideas for tools and support that you may wish to access to be business ready. This is in line with Aged Care Steps business offer.



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Aged Care Steps is the leading provider of aged care support helping financial planners, accountants and lawyers to become business ready and to deliver advice. Solutions are available for advisers wishing to become specialists in aged care or who just want to increase knowledge and skills.

This support extends to:

- Training, including the Accredited Aged Care Professional™ program, to help develop an aged care specialisation and competency
- Paraplanning services and the Advice Generator™ to assist with the development of advice documents and modelling of scenarios
- Practical tools and support to be business ready through a subscription to the Business Toolkit™.

For further information contact the team at www.agedcaresteps.com.au or info@agedcaresteps.com.au

Aged Care Steps enables professionals to participate in the rising dominance of the aged care advice market. We provide end-to-end support to set up business, grow business and provide client solutions. The information in this article is current as at 20 March 2018. Aged Care Steps ABN 42 156 656 843 (AFSL 486723, registered tax (financial) advisers 25581502).