



Aged care

Part 3: fees and funding

Aged care can be a tricky area to navigate, and requires careful thought. To help you or your loved one obtain the best outcomes, this three-part guide will take you through the process of applying for, receiving, and paying for suitable aged care services.

This third part of the series will look at some of the costs involved in transitioning to permanent residential aged care.

The basic daily fee

Cost: \$56.87 per day (as at 1 January 2023)

Amount paid by you in a year: \$20,758.

What is it?

The basic daily fee is used to cover the day-to-day expenses such as meals, laundry and cleaning etc. Everybody entering residential aged care is expected to pay this fee.

Usually the aged care home will ask this fee to be paid fortnightly or monthly, and to be paid up to one month in advance.

The basic daily fee is an amount equivalent to 85% of the maximum basic rate of the Age Pension for a single person. As the Age Pension rate indexes twice a year, so will the basic daily fee. Find out more about the basic daily fee at www.myagedcare.gov.au

The means-tested care fee

Cost: Between \$0 and \$30,574 (capped) a year (as at 1 January 2023)

Generally, if you have financial assets of \$224,000 or more you can be asked to pay a means-tested care fee¹.

What is it?

The means-tested care fee is a contribution towards day-to-day care costs in an aged care home.

The amount payable depends on two components – a combined income and assets assessment and your cost of care. However, there are annual and lifetime caps in place to limit the amount of the means-tested care fee you can be asked to pay.

Accommodation costs

Cost: \$0 to \$550,000 (refundable accommodation deposit)²

Generally, if you have assets of \$186,332 or more when you enter residential aged care you can be asked to pay the advertised accommodation price¹.

What is it?

Each residential aged care home has different costs for living there. These can vary significantly depending on the location and status of the home.

You can pay the accommodation costs as a refundable lump sum, referred to as a refundable accommodation deposit (RAD), or in periodic payments, referred to as a daily accommodation payment (DAP). Or a combination of both.

If you pay a RAD, this will be refunded to you or your estate when you leave the aged care home.

The accommodation costs are negotiated between you and the aged care home but cannot exceed the amount advertised by the home on the Government website www.myagedcare.gov.au.

¹ Based on rates and thresholds as at 1 January 2023. This asset amount applies to a single and is different for members of a couple.

² Aged care homes wanting to charge accommodation prices of more than \$550,000 as a lump sum must have their prices approved by the Independent Health and Aged Care Pricing Authority.

Other costs

Extra service fees

Aged care homes can offer extra service rooms which provide a higher standard of hotel-type services. Extra service fees are attached to the room and have to be paid whether or not you use the services.

Additional service fees

Aged care homes can offer additional hotel-type services which are not attached to the room. Additional service fees only have to be paid where you use the services.

Government assistance

If the value of your assets and income are below the relevant Government thresholds, the cost of your aged care will be further subsidised by the Government. In these cases, some or all of your accommodation costs can be subsidised by the Government and you will only need to pay the basic daily care fee.

Case study

Meet Jane

Jane is 85 and widowed. She was living on her own for some time after her husband passed away but has become frail with age. After researching her options with the help of her family, Jane was assessed by an Aged Care Assessment Team (ACAT) as requiring permanent residential aged care and found a suitable aged care home to move into.

The basic daily fee

This fee is paid by everyone entering residential aged care and is currently \$56.87 per day (as at 1 January 2023). Jane will be required to therefore pay **\$20,758** a year.

The means-tested care fee

Jane has \$550,000 invested in term deposits and \$5,000 in personal effects. Jane will be required to pay a means-tested care fee of **\$14,969** a year.

Accommodation costs

Jane's residential aged care home has an advertised accommodation price of **\$450,000**.

Total fees and costs

Jane will therefore need to fund a total of **\$485,727** in the first year. This includes \$450,000 for her accommodation in the aged care home which she can choose to pay as a refundable lump sum deposit or periodic payments or a combination of both.

How to fund residential aged care

There are many ways to help fund your residential aged care costs. These range from renting or selling the family home, to specialised investment solutions offered by financial service providers.

The best place to start is by having a conversation with a financial adviser. They can help you navigate the complexities of funding aged care, leaving you to focus on finding the right aged care home.

**To find out more about your aged care options,
talk to your financial adviser.**



This case study relates to a hypothetical person, Jane, and is provided for illustrative purposes only. It is based on information that is current as at 1 January 2023 unless otherwise specified and is provided by Challenger Life Company Limited ABN 44 072 486 938, AFSL 234670 (Challenger). It is intended to be general information only and has been prepared without taking into account any person's objectives, financial situation or needs.

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