



Aged Care - Who pays the bills?

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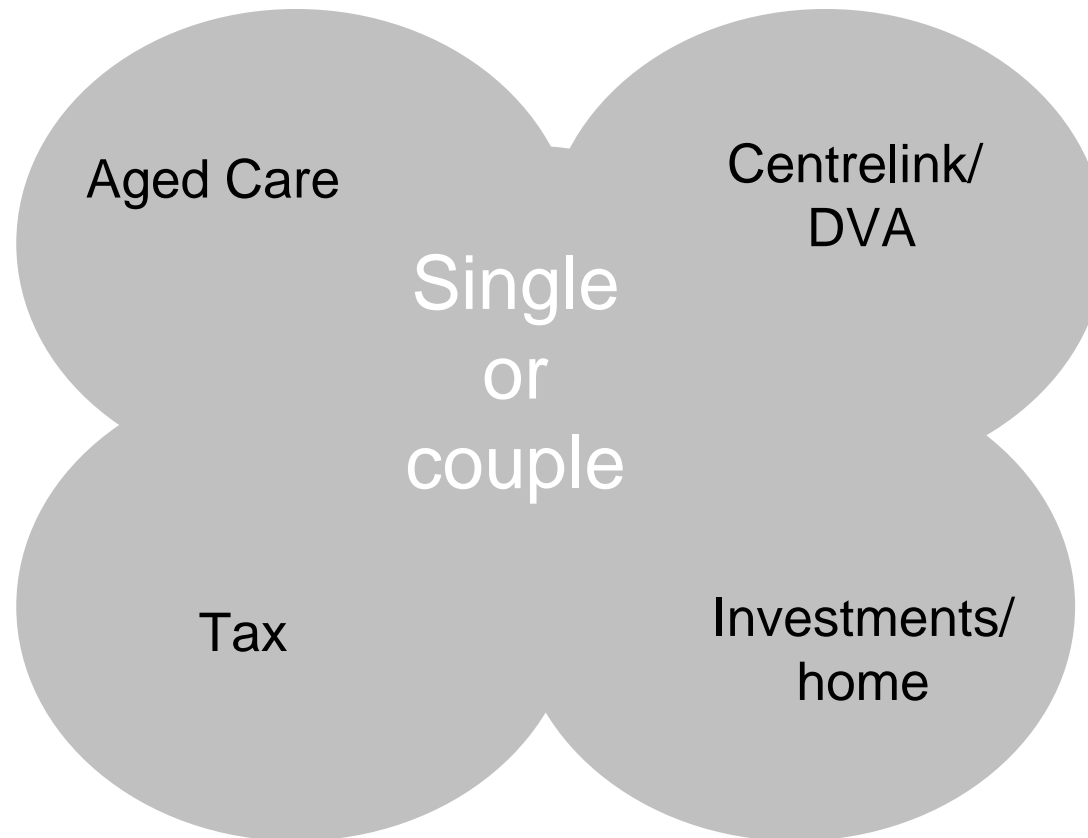
Agenda

- Who pays the bills
- Complexity of circumstances
- Needs - emotional and financial
- Value of advice
- Case Study - Fred
- Our strategy - what we suggested
- Client and adviser concerns
- Questions

Who pays the bills?

- Residents
- Taxpayers

Complex situations



Needs - emotional and financial

Emotional

Need = Certainty

Triggers for anxiety

- Uncertainty
- Leaving home
- Losing memory and mind
- Who can I trust to make decisions for me?
- What is left for my children?
- Will I lose my bond money?

Financial

- Upfront - accommodation bond
- Ongoing - Basic Daily Care fee (\$33.41)
- Income Tested Daily Care fee (up to \$55)
- Extra Services Daily Care fee
- Personal needs

Value of advice

For the client

- Certainty
- Relationship - someone to turn to

For the family

- Third party assessment
- Big picture overview including Estate Planning, taxation
- Assessment of facility offering

For the facility

- Resident able to afford upfront and ongoing fees
- Happy, more content residents
- Business happiness is “a positive cash flow”

Case study - Fred

Fred is single and aged 76

Life expectancy of 10.3 years



Home \$400,000



Accommodation bond \$350,000



Cash \$10,000 (at 5%)



Cash \$60,000

AP

Allocated Pension
\$250,000 (balanced a/c)



Account Based Pension
\$250,000 (Various a/c)

Fees

- Basic Daily Care Fee (May/08) - \$32.05
- Health requires extra daily care - \$50
- Personal needs - \$50 per week

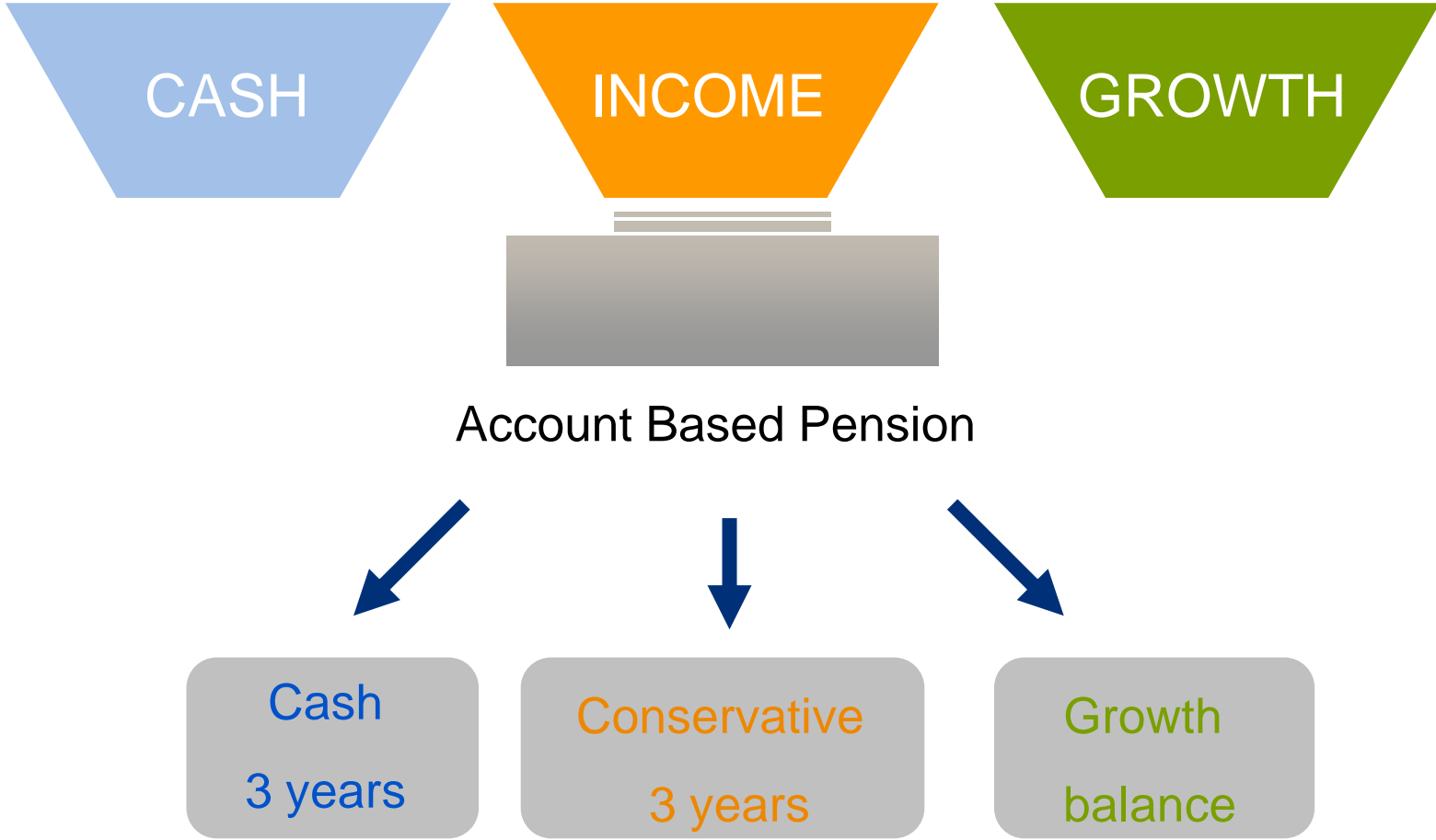
Plus - Leaving something to the children

Our strategy - what we did

Review Fred's situation, with his consent, made the following suggestions:

1. Sell the home
2. Pay the full accommodation bond
3. Re-balance account based pension
4. Surplus cash (\$50,000 into a 12 months TD)
5. Retain \$10,000 as cash reserves for personal needs

Our strategy - what we did



Before, during, after the meltdown

		July 2009 Predicted at May 2008 Age 76	July 2009 Actual Age 77	5 years on 1.7.2013 No GFC Age 81	5 years on 1.7.2013 GFC Age 81
INCOME					
	Cash \$60,000 @ 5%	\$3,000	\$3,000		
	Account Based Pension \$250,000	\$15,000	\$15,000		
	Age Pension	\$14,435	\$15,100		
	TOTAL	\$32,435	\$33,100		
EXPENSES					
	Basic Daily Care Fee	\$11,698	\$12,026		
	Income Tested Fee	\$0	\$0		
	Extra Services	\$18,250	\$18,761		
	Personal	\$2,500	\$2,570		
	TOTAL	\$32,448	\$33,357		
CASHFLOW		Yr 1-\$13.00	-\$257.00		
ASSETS					
	Cash	\$60,000	\$60,000	\$60,000	\$60,000
	Account Based Pension	\$251,599	\$198,415	\$256,157	\$186,165
	TOTAL	\$311,599	\$258,415	\$316,157	\$246,165
	TOTAL (NPV)		\$251,966	\$277,352	\$217,092
Accommodation Bond less retention amount (\$282 p/m)		Approx \$350,000	\$346,616	\$333,080	\$333,080

After 5 years

Some assumptions for the 5 years after 2008:

- Indexation - expenses/income @ 2.8% pa
- Cash rate 5% pa
- Account Based Pension earning rate @6.8% pa
- No major legislation changes
- Market collapse only once
- No reverse mortgage,
- Could sell home,
- Could find suitable facility

Ongoing client concerns

Life expectancy

- Who makes decisions if I can't ?
- Will I go before my money runs out ?

Organisational

- Government - new borrowing programs, 'user pays'
- Flexible Aged Care facilities (and Retirement Villages)

Markets

- Volatility - secular bear market?
- Hyperinflation?

Ongoing adviser concerns

Clients

- Are they in the best position - now and ongoing?

Operational

- Recent loss of access to tools
 - complying annuities
 - annuities generally

Markets

- Global financial crisis
- New tools and strategies to provide certainty and flexibility

Summary

- The resident is faced with many decisions to make
- More often than not , the resident and families need help
- Help upfront and ongoing
- Someone to co-ordinate
- Value of advice
- Complexity won't go away
- Certainty is a basic need of the person entering Age Care
- Innovative Product designs may help bring certainty

End of Presentation - Thank You