CASE STUDY: FINANCIAL CONSIDERATIONS FOR PEOPLE WITH ACQUIRED DISABILITY

JUNE 2023

Margaret and Tom have been married for five years and have a son, Jaydon, who is three years old. Margaret was a teacher, earning around $84,000 per annum. Tom works as a computer programmer and earns around $90,000.

In 2013 Margaret began having problems with her balance and was diagnosed with Multiple Sclerosis (MS) in early 2015. In February 2016, Margaret fell backwards sustaining a traumatic brain injury. She was rushed to hospital and underwent surgery, followed by time in the Intensive Care Unit. Margaret then spent several weeks on the ward and a further three months in residential rehabilitation.

The hospital discharge planner spoke to Tom about Margaret's discharge options and mentioned residential aged care. Tom decided to care for Margaret at home. The hospital social worker informed Tom that he may be eligible for the Carer Allowance.
See: **servicesaustralia.gov.au/who-can-get-carer-allowance?context=21811**

Within two months of going home Margaret was back in hospital, with obvious signs of deterioration. Tom was no longer able to look after her, as well as look after Jaydon, work full-time and keep up with the family's financial demands.

The hospital discharge planner met Tom to discuss Margaret's discharge options and again suggested residential aged care as a possibility.

A brief summary of Margaret's employment benefits:

- Margaret stopped working in February 2016, and has exhausted her paid sick leave entitlement
- Margaret has used up her annual leave entitlement
- Margaret is entitled to 18 weeks long service leave at full pay.

Margaret's employer has advised that she is about to exhaust her leave entitlements, and that one of her options is to take unpaid leave.

Margaret and Tom are worried about their financial situation. They have a $450,000 mortgage and in the past six months Tom has exhausted all his leave entitlements while juggling visits to Margaret in hospital and caring for Jaydon.

Margaret is no longer able to care for their son or maintain the house, prepare meals etc. She has been advised by her treating team that she will not be able to return to work.

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This information sheet was prepared by Health & Finance Integrated in collaboration with the Summer Foundation.

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Discussion

It's important that Tom understands their options to keep Margaret out of residential aged care.

Issues touched on below are discussed in greater detail in these information sheets, which can be found in the Discharge Planning toolkit: **summerfoundation.org.au/discharge-planning-toolkit**:

1. What is a power of attorney and how can they support me?
2. Financial considerations of moving in to residential aged care
3. Superannuation - how do I know if I can access it early?
4. Insurance

1. The National Disability Insurance Scheme (NDIS)

Tom should begin by making contact with the NDIS to see if Margaret will be eligible to become a participant, as support from the NDIS should be able to keep Margaret out of aged care.

2. Sort out decision-making issues

Often caring for a family member or close friend involves making important financial and health decisions on their behalf. In this situation Tom needs to act as Margaret's power of attorney and her guardian.

If Margaret has not already appointed Tom as her enduring power of attorney and enduring guardian, he will have to apply, depending on his state or territory, to a court or tribunal to be able to access Margaret's financial affairs and make financial decisions on her behalf.

Guardianship will allow Tom to make lifestyle decisions on Margaret's behalf. See: **What is a power of attorney and how can they support me?**

3. Take stock of your assets and liabilities

Tom needs to take stock of their financial situation by creating a spreadsheet of their assets and liabilities.

Owner	Asset	Value
Tom & Margaret	Home	$1,000,000
Tom	Shares	$55,000
Tom	Superannuation	$250,000
Margaret	Superannuation	$130,000
Tom & Margaret	Cash	$42,000
Tom & Margaret	Jewellery	$25,000
Tom & Margaret	Car	$30,000
Tom & Margaret	Home contents	$60,000

Liabilities

Owner	Asset	Value
Tom & Margaret	Home loan	$450,000
Tom & Margaret	Credit cards	$15,000

Superannuation

As Margaret's financial attorney Tom can access Margaret's superannuation account details:

Teacher's Super	Benefit	Value
Preserved (100% taxable)	Superannuation	$130,000
Insurance	Life & TPD	$320,000
Insurance	Income Protection (2-year benefit, 90-day wait)	$71,400 per annum

Margaret's superannuation account includes an insurance policy. See: **Insurance**

4. Financial considerations of moving into residential aged care

Tom and Margaret start to investigate their aged care options and are overwhelmed by the amount of information about aged care providers, costs and fees See: 🌐 **Financial considerations of moving in to residential aged care**

Tom and Margaret need to know whether they will be liable for means-tested aged care fees. For more information on accessible assets for Centrelink purposes see: 🌐 **myagedcare.gov.au/income-and-means-assessments**

After reading up about assessable income and assets Tom and Margaret enter their information into the residential aged care fee estimator to get an indication of the fees they may be required to pay:
🌐 **myagedcare.gov.au/how-much-will-i-pay**

According to the aged care fee estimator, Tom and Margaret will be required to pay the basic daily fee as well as contributing to the cost of Margaret's accommodation and care. There are a number of ways people can pay their means-tested accommodation and care fees.

People can choose which of these methods fits best with them, their lifestyle and their family.

Lump sum

Lump sum **refundable accommodation deposit** (RAD): A lump sum payment made to the aged care home that is fully refunded to you or your family when you leave the home. The RAD is an option for people who are required to pay the full cost of their accommodation.

Lump sum **refundable accommodation contribution** (RAC): A lump sum contribution made to the aged care home that is fully refunded to you or your family when you leave the home. The RAC is an option for people who need to pay for part of their accommodation, but the government will pay the rest.

Daily payment

Daily accommodation payment (DAP): A regular accommodation payment, similar to making a payment for a rental property. The DAP is an option for people who are required to pay the full cost of their accommodation.

Daily accommodation contribution (DAC): The DAC is an option for people who are required to make a contribution towards the cost of their accommodation.

Note: it is also possible to pay a combination of a lump sum and a daily fee

5. Will the NDIS help me to pay means-tested accommodation fees?

If you choose to pay your accommodation fees as a lump sum refundable accommodation deposit (RAD) or a lump sum refundable accommodation contribution (RAC), the NDIS **will not** assist you with this payment because it is refunded when you leave aged care.

However, if you choose to pay your accommodation fees as a daily accommodation payment (DAP) or a daily accommodation contribution (DAC), the NDIS **will** reimburse you subject to a daily cap.

Talk to potential aged care providers about their room prices. The maximum the NDIS will contribute towards a participant's accommodation costs depends on when their room was built or significantly refurbished.

For rooms built or significantly refurbished since 20 April 2012, the maximum the NDIS will pay is $65.49 a day. For rooms built before this date that have not been refurbished, the maximum the NDIS will pay is $42.70 a day (as at March 2023). If you enter into an agreement to pay more than this you will have to pay the difference, or the gap.

6. Financial Planning

Tom and Margaret need to get financial advice about the best way to manage Margaret's income and aged care fees. In particular they need to consider how Margaret's superannuation and linked insurance can help.

Income protection

Margaret has an income protection policy with her superannuation provider. After a waiting period, it provides Margaret with 85% of her pre-disability income for two years. Income streams from insurance policies are subject to means-testing for the disability support pension and to determine aged care fees.

Total and permanent disability insurance

Margaret also has a death and total and permanent disability insurance policy with her superannuation provider and may be entitled to claim $320,000 as a lump sum from this policy.

Superannuation

Margaret can claim on the insurance policy attached to her superannuation fund. A successful claim will increase her balance to $450,000.
See: **ato.gov.au/Individuals/Super/Accessing-your-super/Early-access-to-your-super/** and **summerfoundation.org.au/superannuation**

Superannuation is a complex area. The most pressing question for Tom and Margaret is whether to use Margaret's superannuation and insurance proceeds to pay off their mortgage.

Tom and Margaret discuss the following options with their financial planner:

Option 1: *Take out the superannuation*

Accessing your superannuation early has tax implications. Your superannuation provider can apply an incapacity payment formula and give you the relevant information. See: **ato.gov.au/Individuals/Super/In-detail/Withdrawing-and-using-your-super/Withdrawing-your-super-and-paying-tax**

Option 2: *Superannuation income stream*

Tom and Margaret could use Margaret's superannuation to provide an income stream. An income stream is subject to more favourable tax treatment but has implications for access to the disability support pension and means-tested aged care fees.

Option 3: *Keep the superannuation where it is*

If Margaret's superannuation is left untouched it will continue to act as a passive form of investment.

Option 4: *A combination of option 1, 2, and 3*

It's possible to retain some funds in superannuation, and start an income stream with a portion of the money.

Tom and Margaret have these follow-up questions for their financial advisor:

Can I use my superannuation to pay off our debts?

Subject to the agreement of the trustee of your superannuation fund, you can access your superannuation early in certain circumstances. Seek financial advice about the tax implications.

Will I pay income tax?

People who access their superannuation savings may cause their taxable income to be adjusted, and this occasionally results in tax debt.

What other issues I should consider?

A lump sum superannuation payment may result in an adjustment to your taxable income and result in you having to pay back a portion of any family tax benefits you received during the year.

Should I pay off my home or keep my money in superannuation?

This depends on your individual situation. Be aware that there are caps on how much you can contribute to superannuation, so if you withdraw your super to pay off your home and then sell the home at a later date, you may not be able to put money back in to this tax effective investment option.

However, other people may wish to be debt free and cash flow is their main concern.

Is it better to pay means-tested accommodation fees in a lump sum or a daily payment?

This really depends on your individual circumstances. Remember the NDIS will pay a participant's means-tested aged care fees if they are paid as a daily payment, although there is a limit to how much they will pay for your accommodation.

In order to qualify for the disability support pension some people may want to reduce their assessable assets and income. Paying for your aged care accommodation as a lump sum may help achieve this. See: **servicesaustralia.gov.au/disability-support-pension**

Before making any financial or investment decisions, we recommend you seek financial advice from a licensed financial planner. The advice in this document does not take into account your personal investment objectives, financial situation and individual needs. Health and Finance Integrated (ABN 72 165 510 618) is a Corporate Authorised Representative of Australian Unity Financial Services Limited (ABN 26 098 725 145) AFSL 234459 and its Representatives do not accept any liability for any errors or omissions of information supplied in this document. **healthfinance.com.au/contact-us**

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