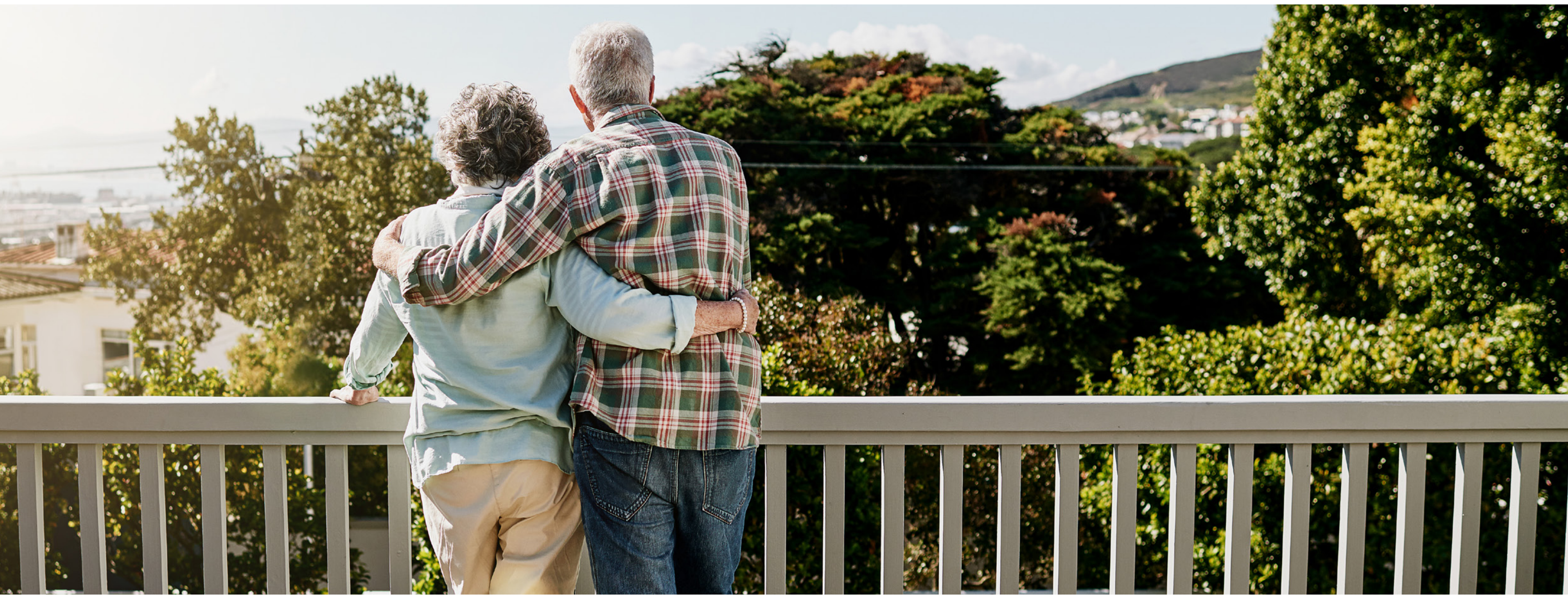
Aged care and the family home

Using the family home to fund aged care can be a complicated decision, with many interdependent factors to consider.



Working out what to do with your family home when you're getting ready to move into residential aged care is one of the biggest decisions you and your family can face. While some people are keen to sell their home once they no longer need it, or to sell the property to fund aged care accommodation costs, others choose to keep it and receive ongoing rental income from the property. There are pros and cons to both sides.

Paying aged care fees

When you move into residential aged care you may be required to pay an accommodation contribution or accommodation payment. These accommodation costs may be funded from the sale proceeds of the family home. If you choose to keep your family home, other funding strategies may be considered.

You will also need to pay ongoing care costs for as long as you remain in the aged care facility. This could include the basic daily fee, a means-tested care fee and any extra service or additional fees. Depending on your level of income and assets, these costs can vary.

Rental property maintenance and costs

While you'll earn ongoing rental income from your property if you rent it out, you also need to consider the ongoing costs associated with maintaining the property, such as having funds available for repairs and tenant management. And if your property is untenanted for a while, you'll need to rely on other assets and sources of income to pay your ongoing care costs. You may also need to spend some money on the property before you rent it out to bring it up to a rental standard.

Tax and Centrelink implications

If you rent out your family home, you may have to pay tax on the rental income you receive. However, there are various tax offsets available – including the low income, seniors and pensioners and net medical expenses tax offset – that may reduce the amount of tax you have to pay.[1] You or your family may also have to pay Capital Gains Tax on the property when it is eventually sold[2].

Whether you keep or sell your family home, the decision may affect your Centrelink entitlements. The Age Pension is worked out by an income and an assets test[3]. Your rental income will be assessed as part of the income test, and after the first two years your property will be immediately assessed under the assets test as well[3]. If you sell your home you won't have rental income or an investment property to reduce your entitlements, but the sale proceeds will come into consideration.

Seek help from an expert

Making the decision to move into residential aged care is a major life decision, and the range of considerations can be overwhelming. That's why it's a good idea to seek expert advice from a financial adviser who can help structure an aged care plan tailored for your unique needs and situation.

Contact your financial adviser to determine whether an annuity is right for you.

<insert adviser details here>

<Insert Disclaimer>

1 www.ato.gov.au/Individuals/People-with-disability/Tax-offsets/
2 www.ato.gov.au/general/capital-gains-tax/
3 www.humanservices.gov.au/individuals/services/centrelink/age-pension/eligibility

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