

Your Free Guide to AGED CARE FINANCES

UPDATED
EDITION
Nov 2025



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To speak to us regarding your situation call **1300 659 677**

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When an individual, a parent or loved one needs to enter aged care, it often happens suddenly and without warning. Amidst immediate concerns for their welfare, the family may then be confronted with the sobering reality that an accommodation payment of \$650,000 to \$750,000 is required to secure a bed at a suitable facility.



This is a highly emotional and stressful period for all concerned. Hopefully, however, the information included in this guide will help you and provide a valuable 'roadmap' for your journey through the process ahead.

You will soon discover that aged care financing and the scenario's open to families regarding payment of aged care fees and charges is a highly complex area that demands special attention. Your finances will be impacted by legislation around Centrelink / DVA age pensions, taxation and the Aged Care Act 2024 itself.

The age care system is getting more expensive for those residents with financial means. So obtaining financial advice for aged care is perhaps more important for families now than ever before. Indeed, failure to get good advice can be extremely costly. For instance, did you know that:

- Selling the home to pay the Refundable Accommodation Deposit (RAD) may not be required;
- It is sometimes possible to increase the amount of age pension entitlements, or to receive a part-pension where no pension was previously payable;
- Some lenders will allow your loved one to borrow against their home to fund any cash flow shortfall;
- It's possible to rent out the home and use this income to fund care costs.
- If the former home is eventually sold, the remaining sale proceeds after the lump sum RAD has been paid can be invested to maximise income to fund living expenses and age care costs and replace the loss of age pension, while at the same time generating some capital growth that can be passed on to the next generation

Getting good advice is essential. Every case is different and *uninformed financial decisions can result in the loss of thousands of dollars in entitlements and, sometimes, even in the complete loss of pension income.*

Whilst this free guide does not substitute for financial advice, it is designed to help answer common questions and point you in the right direction so that you avoid costly errors.

For more information or help with your situation please call Sydney Aged Care Financial Advisers on **1300 659 677**.



Phillip Reid
Senior Financial Planner
Sydney Aged Care Financial Advisers

Your FREE Guide to Aged Care Finances

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1. Age Care Rights-Based Reforms

The Australian aged care system has recently undergone extensive changes that will have a significant impact on the finances of future aged care residents and their families.

As of 1 November 2025 new legislation came into effect designed to support the implementation of 58 recommendations made in the Royal Commission into Aged Care Quality and Safety that was handed down in 2021.

Here is a summary of the main elements of the reforms as they affect consumers:

- The new rights-based Act (Aged Care Act 2024) will put the rights of older people at the center of the aged care system.

How is funding changing?

- Under the new act, around 50% of Australians are expected to pay more for residential aged care however the majority of costs of care will remain funded by the Commonwealth Government (73% of costs).
- Most age care residents will pay more means tested fees each year. The maximum annual means tested fee cap will rise from \$35,238 pa to \$46,519 pa on 1 Nov 2025. This amount will be indexed each quarter.
- Age care residents lifetime means tested cap will increase from \$84,571 to \$135,318. Means tested fees will continue to be paid for longer before this cap is reached. This cap will be indexed each quarter.
- A 2% fee (retention amount) will be deducted from the Bond/RAD that the resident pays for 5 years. For example, if you pay a \$750k Bond/RAD the 2% retention fee that will be deducted will be \$15,000 pa. There previously was no retention fee payable.
- The Daily Accommodation Payment (DAP) interest rate will remain locked in on entry however this interest rate will now increase with inflation / CPI each year.

Who is affected?

- All age care residents that sign a permanent residential contract from 1 November 2025.

Grandfathered residents

- Existing residents that are in the system prior to 1 November 2025 will be 'grandfathered' and remain under the previous fee structure.
- Residents that received a home care package or that were approved or in the queue as at 12 September 2024 will have their means tested fees grandfathered under the previous legislation's fee structure. However they will be required to pay the 2% Bond/RAD retention fee.

Avoid costly mistakes

If a loved one will soon be entering aged care please call us on **1300 659 677** to discuss your family's option to fund the move.

2. Types of Aged Care

Residential aged care (what many people still refer to as 'nursing homes') are the main focus of this guide. However it represents just one of the living options for the elderly. We outline the key features of the different options below.

A) COMMONWEALTH HOME SUPPORT PROGRAMME

This is basic in-home care for elderly people who have simple needs. A range of services are available to help maintain the independence of eligible people. This service may include help with:

- ➔ household chores
- ➔ health and personal care
- ➔ activities and transport
- ➔ short breaks, and
- ➔ home maintenance and modification.

This option is often wholly or partly funded by government.

B) RETIREMENT VILLAGES

Although retirement villages are sometimes regarded in the same way as aged care facilities, they are separate and do not technically qualify as residential aged care (or for the Federal Government funding that comes with it). Those who enter retirement villages do so voluntarily, usually as a lifestyle choice, and at their own expense. The purchase of retirement village accommodation is a private property transaction. The villa is classed as your home and remains exempt from the age pension assets test.

C) HOME CARE PACKAGE

'Home care' is a higher level of in-home care for elderly people who have greater medical and care needs than what is available under the Commonwealth Home Support Program. A formal ACAT assessment is required for Home Care and fees are payable although costs are usually subsidised by government.

D) RESIDENTIAL AGED CARE

Traditionally known as 'nursing homes'. A formal ACAT assessment is required for admission into this level of care and should be considered as any person's first step.

If you are assessed as a full fee paying resident you will have to locate a facility that you can afford. There are many options available to fund the annual fees.

Future entrants with low to moderate means may be assessed as 'concessional' Government supported residents. Centrelink assesses a person's eligibility based on their assets and income on entry. Concessional residents can not be asked to pay a Refundable Accommodation Deposit (RAD).

E) RESIDENTIAL RESPITE CARE

This is short term care available to people either as an interim measure until a permanent bed is located or to give carers or family members a break. Respite care is provided by community care services, including residential aged care facilities. The person you care for may access residential respite for up to 63 days each financial year. This time can be extended in lots of 21 days if an assessment finds that this extra time is necessary.

3. The process and costs of moving into Aged Care

Notwithstanding the other care options mentioned in Section 2, our main focus in this guide is residential aged care (or what used to be known as low level care and high level care). The Australian Government has identified 5 clear steps of placement into aged care facilities:

- Step 1: Assessment of eligibility
- Step 2: Finding accommodation
- Step 3: Working out the cost
- Step 4: Applying
- Step 5: Moving and settling in

Step 1: Assessment of eligibility

The local Aged Care Assessment Team (ACAT, or ACAS in Victoria) is the starting point for you or your loved one (the resident). ACATs are normally based in hospitals and may include a nurse, doctor or social worker whose job it is to make the formal assessment for every person going into care. This is the first step. The ACAT assessor can also come to a person's home to complete the assessment.

Contact *My Aged Care* on 1800 200 422 to request an assessment from ACAT.

The ACAT team may also provide a form to complete a 'Centrelink Assessment' to determine the maximum potential Refundable Accommodation Deposit (RAD) payable if the person is on the aged pension.

Once the resident has been assessed by ACAT, they may suggest some appropriate aged care facilities in the local area, however it is the responsibility of the family to find accommodation.

Step 2: Finding Accommodation

This is often the most stressful part for families. However it's a whole lot easier if you know exactly how much your loved one can afford for care before you start contacting aged care facilities.

Ideally it is at this point that you should consult a Specialist Aged Care Financial Adviser if you have not already done so.

The Federal Government website www.myagedcare.gov.au has a 'Find a service' facility that allows the public to search for an age care home in their surrounding suburbs.

Website: www.myagedcare.gov.au/find-a-provider

Once you and your financial adviser have worked out your various funding and cash flow options, you will be able to more easily identify the most appropriate and affordable aged care facilities in your area. A successful application for accommodation should soon follow.

Step 3: Applying

Once you have been assessed by ACAT you will be able to apply to an individual aged care facility. We recommend you contact the admissions office at the facility to determine the facilities exact process.

Step 4: Moving and settling in – Admission Process

During the assessment and before entering the home, the admissions staff will gather your personal details such as your family and medical contacts, any medical conditions, food preferences and social interests. This information will be used to create a care plan.

Fees and charges summary:

Lump sum RAD or ongoing DAP fee	<ul style="list-style-type: none"> → Pays for the cost of accommodation or entering into care. Average \$650k - \$750k pa single room. → Amounts for each facility must be published on their website as well as the Government website. → Two ways to pay: Refundable Accommodation Deposit (RAD) is the upfront lump sum option. → Daily Accommodation Payment (DAP) is the daily fee option. Combination RAD & DAP also possible. → 28 days to decide on the method of payment from time of admission. → A retention fee of 2% pa is deducted from the lump sum RAD for 5 years. → DAP fees can be deducted from the RAD paid (if any).
Basic Daily Fee ²	<ul style="list-style-type: none"> → Pays for the living expenses of aged care. → Everyone pays this fee. → Currently \$65.55 per day (from 1 Nov 2025).
Means Tested Care Fee	<ul style="list-style-type: none"> → Fee is means tested on assets & income of the resident. → Annual & lifetime caps on this fee apply.
Additional Service Fee	<ul style="list-style-type: none"> → Pays for 'luxuries', or additional services, within the aged care facility or specialised care beds (such as Dementia wards). → Compulsory packaged fee or optional. → A daily fee set by the facility. → This fee may be able to be deducted from the RAD in some circumstances each month.

Because the rules are always changing, it is important that you seek expert financial advice to determine the correct implications of any changes to your asset position for age care and age pension calculations.

² Correct as at 1 Nov 2025
<https://www.health.gov.au/resources/publications/schedule-of-fees-and-charges-for-residential-and-home-care>

4. Implications for the Age Pension

In addition to the fees and charges payable for aged care, the level of an individual's Centrelink age pension entitlements will ALSO be determined by their assets and income.

A change in circumstances such as moving into aged care can have a significant negative impact on pension entitlements if handled incorrectly.

If a spouse remains in the family home, the property is likely to continue to be an exempt asset from the age pension asset test calculation. However if the home is not occupied by a protected person such as a spouse, the (previously exempt) property will be included for age pension asset test purposes after two years. Any rental income generated to assist in meaning the persons age care costs will also count towards the age pension income test. Land tax pay also apply is the former home is rented.

The home will be exempt from the 'Means-Tested Care Fee' if occupied by a protected person, such as a spouse. If you do not have a spouse living in the home (or an eligible carer or a close relative), part of the value of the property may count as an asset for the determination of the means tested fee. This area is complex and changes depending on an individual's circumstances. Please contact us on 1300 659 677 for further details.

The decision to keep or sell the family home will depend on the means tested fee calculation and also other financial factors such as cash flow, age pension, ongoing expenses, maintenance and tax as well as factors relating to the house such as whether it is in a 'rentable condition'.

There are financial strategies and structures that can be used to maximise a resident's income and minimise their aged care fees.

TIP: Make sure your financial adviser is experienced in aged care. The rules and regulations are constantly changing and your financial adviser will require specialist skills & experience so that you may obtain the full financial benefits available.

5. Implications for the Means Tested Care Fee

It is possible to remain in the same care facility if the resident's needs change from low level care to a more intensive high-level care. This is commonly referred to as 'ageing in place'. However many facilities have a degree of specialisation in the kind of care they provide so you should check if they can cater for future changes in care needs prior to admission.

It is possible to change facilities at any time by providing 14 days written notice.

6. What to do with the family home

Unless the resident has significant cash or liquid assets which can be used to pay the lump sum Refundable Accommodation Deposit (RAD), the family will usually have a number of options to either raise capital to pay a RAD or pay the interest costs of the Daily Accommodation Payment (DAP) over time:

- Pay part of the RAD from liquid investments and the rest via a DAP.
- Pay 100% via DAP from a regular income source.
- Sell the resident's home to pay the RAD in full.
- Borrow against the home to pay for the RAD or DAP.

A specialist aged care financial adviser will provide you with a range of options, like those above, so that the resident and the family are fully informed about their choices and the financial impact of making each decision.

• Selling the home to pay the RAD

It is still most common for people to sell the family home to pay the upfront RAD (previously known as the accommodation bond). However, now, more so than before, it may not be the best option from an age pension and aged care fee perspective.



Example: Mr Smith is a single pensioner receiving the full age pension with his family home his only major asset. He is required to pay a RAD of \$600,000 to enter an aged care facility. He sells his home for \$1,500,000 and pays the RAD of \$600,000 and invests the remaining \$900,000 to produce additional income.

The RAD of \$600,000 is exempt from the age pension assets test and does not affect his age pension entitlements. However, the \$900,000 invested exceeds the assets test under current rules and will reduce his age pension entitlements. As at 1 November 2025, the age pension asset test framework allows Mr Smith to own up to \$543,750 worth of assessable assets before it affects his age pension entitlement. A part pension is available if your assets are under \$972,000. The \$600,000 RAD and \$900,000 of invested assets all count towards the aged care means tested fee.

A specialist aged care financial adviser can help work out the various scenarios available to Mr Smith to decide if keeping or selling the family home is the best option to minimise aged care fees, maximise any age pension benefits and maximise cash flow to fund the Daily Accommodation Payment (DAP) or to raise funds to pay the Refundable Accommodation Deposit (RAD).

• Borrow against the home to pay RAD/DAP Entry Fees

As long as the resident is a homeowner and over 65 years old it is possible, in many cases, to borrow the money for a Refundable Accommodation Deposit (RAD) or to fund any cash flow deficit that arises from the payment of a Daily

Accommodation Payment (DAP) using a reverse mortgage line of credit.

There are some real advantages to consider with this method:

- No sale of the property is required. The home owner retains full ownership of their property & avoids any of the sales costs (renovations, advertising, agent's fees etc) involved.
- Avoid potential losses. The home owner is not forced to sell (say, in a declining property market).
- Extra income. The property can be rented out to assist with care costs.
- No regular loan repayments required, the debt is repaid from the future sale of the property.
- Risk: Land tax / CGT may be payable in the future.



Example: Mr Jones is 78 years old and is going into aged care. The chosen facility requires a \$600,000 Refundable Accommodation Deposit (RAD) or equivalent DAP. He does not yet want to sell his home as he hopes to be in a position to move back in future. Mr Jones and his family feel that property values in his area have also

dropped in the last year so he doesn't want to be forced into a quick sale either.

Mr Jones is informed by the specialised aged care financial planner that as an alternative to selling his home (valued at \$1,500,000), he can pay the monthly DAP costs or the lump sum RAD with a special reverse mortgage loan with no monthly mortgage repayments required.

Although he will accumulate interest on the loan, this interest may be able to be paid off, or partially paid off, each month if the home is rented out. As he also retains full ownership of his property so he will continue to enjoy the regular rent plus any potential future capital gain on the property.

**These case studies are general in nature and do not constitute financial advice.*

7. Getting financial advice

It is clear that the world of aged care finance and understanding the range of options available is a minefield for families and their loved ones. Receiving accurate & reliable information is essential.

Whatever your intention regarding the family home, you should obtain expert financial advice before the admission of a person into aged care.

The benefits are clear:

Our firm, *Sydney Aged Care Financial Advisers* provides aged care financial planning advice to people moving into residential care.

Our Phone Number is: **1300 659 677**

Our advice may assist you to:

- Avoid making costly errors,
- Maximise your Centrelink Age Pension benefits,
- Minimise any aged care fees,
- Negotiate a better outcome with the aged care facility,
- Understand your full range of options before making a decision,
- Decide on the best strategy to pay your RAD or DAP,
- Be clear on your cash flow after moving to the aged care facility.
- Boost income by investing the remaining home sale proceeds to ensure that the age care costs are met.

For a referral to a financial adviser specialising in aged care please call Sydney Aged Care Financial Advisers Pty Limited on **1300 659 677**

TIP: Centrelink can give you information only regarding how your pension entitlements might be affected but they cannot advise you how to structure your affairs for maximum financial benefit. Only a financial adviser can do this for you.

8. Further Information

The following sites may be useful for further research and information:

www.sydneyagedcarefinancialadvisers.com.au

www.myagedcare.gov.au

www.agedcareguide.com.au

www.agedcareonline.com.au

www.seniorsfirst.com.au

Testimonials

Thank you for today. Both Scott and I felt that it was excellent – the advice and the way you presented the information was simple, clear and concise.

Mary S - Church Point NSW

Sue and I were impressed with the presentation today, we would like to thank you and Phil for the work you have done and the way the options were presented.

Peter C - Woonona NSW

9. Contact us

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For more information or to request a referral
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1300 659 677

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