FIDUCIAN FOCUS

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Is income protection for adult kids a good idea?

We are always hearing about how important it is to insure our own lives and income, but what about insuring our children's?

How would your adult child and their family survive financially if an accident or an illness prevented them from earning an income for an extended period of time?

Income protection, TPD and trauma insurance are often not a consideration to a young family in today's financial climate with many struggling with mortgage repayments, education spending and increased living costs.

But what would be your role if your child and their family were suddenly without an income? Without adequate insurance how would they cope?

What if you had helped your child to buy his or her first home and that child suffered a long term-illness or disability? How would that affect you if they couldn't make the repayments?

Case study

Alan and Joanne's married son Tim was in a car accident, sustaining a spinal injury that prevented him from working for two years. Unfortunately, Tim did not have income protection or accident insurance.

The bank foreclosed on his mortgage and Tim and his young family were forced to move in with Alan and Joanne. Eventually, Tim recovered and was able to return to work.

Aside from the emotional impact on Tim and his family, Alan and Joanne's retirement plans were seriously compromised. Joanne's health deteriorated due to the extra stress caused by of the situation and she was diagnosed with severe depression.

What could Alan and Joanne have done differently?

They could have asked Tim if his income was protected in the case of an unforeseen illness or injury. Learning that the young couple was allocating all spare cash to the mortgage, the parents might have offered to help pay for adequate insurance cover.

Even if you are not in a position to contribute to the cost of their insurance, raising the issue with your adult children and encouraging them to talk to a financial professional could be some of the best guidance you could ever give them.

For more information, contact your Fiducian financial planner.

Home care packages – How they work

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As we age, we often need help at home. It is hard to live independently without help from a spouse or family member.

Most people would rather receive the care they need in their own home than have to move into an aged care facility. The government is also keen for you to remain in your own home, and provides subsidised home care packages, which could allow you to do so and also to reduce the burden on your spouse and family.

Hint: If you think you may need home care in the next year or so apply for an ACAT as soon as possible. There are currently over 110,000 people on the waiting list for a home care package, with the higher level packages having a wait time of up to 2 years.

How do you access a home care package?

Before you can apply for a subsidised home care package, you need to be approved by an Aged Care Assessment Team (ACAT). You can make an appointment by ringing **My Aged Care on 1800 200 422.** An assessor will come to your home and interview you to determine if you are eligible for a home care package, and which package level best meets your care needs.

Once approved you will receive a letter giving details of the package you have been assigned and also a unique package referral code that you will need to give to the home care provider.

You can then find a home care provider in your area either by searching on the My Aged Care website by location **(www.myagedcare.gov.au)** or ringing the My Aged Care Team on the above number.

Hint: Before you sign an agreement make sure you look closely at the administration, case management and exit charges. We have seen incidences where providers are charging up to $80 an hour for administration. Remember the more you pay in administration fees the less you have to spend on actual care.

What can your package be used for?

- **Personal care –** showering, dressing, feeding etc.;
- **Domestic assistance –** cleaning, gardening etc.;
- **Meal preparation –** including special diets;
- **Shopping and transport –** to medical appointments, social activities;
- **Home maintenance –** including alterations for personal safety;
- **Nursing & clinical –** including speech therapy, podiatry, hearing & vision services;
- **Aids –** including mobility equipment;

What does care cost?

The fees for home care, that you will pay the home care provider, are in two components:

- A basic fee paid by all care recipients (currently $10.43 per day);
- An income-tested fee paid by care recipients whose income exceeds an income threshold;

The income threshold for the income tested fee is currently $26,985.40 p.a. for a single person and $41,844.40 p.a. for a couple.

The income tested fee is capped, with the annual cap currently of $10,892.89 or $29.92 per day.

The home care provider will also receive a subsidy from the government which varies depending on the level of care.

The fees applicable from 20 September 2018 are shown in the table below:

Package Level	No. of hours per week of care *(on average)*	Basic fee paid by you *(per day)*	Subsidy paid by the government *(per day)*	Total Value of the package *(per annum)*
Level 1 - basic	2 hours	$10.43	$22.66	$12,077.85
Level 2 - low level	3 to 4 hours	$10.43	$41.22	$18,852.25
Level 3 - intermediate	7 to 9 hours	$10.43	$90.62	$36,883.25
Level 4 - high care	10 to 13 hours	$10.43	$137.77	$54,093.00

Example

Joan lives at home with her husband and has been approved for a home-care package. They are fully self-funded retirees and do not qualify for any age pension. Together they have $80,000 a year of assessable income.

On her share of the income ($40,000) it is estimated that Joan will be asked to pay:

- **Basic fee -** $3,806 per year or $10.43 per day, plus
- **Care fee -** $5,540 per year or $15.22 a day.

Note: Each member of a couple (where both living at home) can have assessable income up to $20,922.20 before an income-tested care fee is payable.

Hint: You can find a home care fee estimator at: https://www.myagedcare.gov.au/fee-estimator/home-care/form

Reducing home care fees

When calculating the fees, assessable income includes payments received from Centrelink as well as assessable income from assets and investments using Centrelink income test rules. Cash, term deposits and shares will be assessed under deeming rules.

If you are able to structure your investments in a way that reduces assessable income this may reduce the fees you will be asked to pay.

Getting advice

Before making any changes to investments it is very important to seek financial advice. Your financial adviser can help you with strategies to reduce fees and will also consider implications for cash flow, Centrelink, concession cards, aged care fees, taxation and estate planning before helping you make a decision.

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