

12 April 2012

Care needs require long term planning

When discussing the capital needed for a comfortable retirement, the likely cost of aged care needs to be included in the planning, warns Philip Gallagher, head of wealth management at Equity Trustees Limited.

“The likelihood of care and its associated cost needs to be recognised at the beginning of retirement, not when care looms as an unwelcome necessity,” Mr Gallagher said.

“Retirement plans therefore need to both provide income for the type of active retirement sought, as well as the potential need for a capital sum if aged care accommodation is needed in later years.

“As retirees grow older, their need for income to support an active lifestyle recedes, and when in care the need for income falls further. However the need for capital, to make a lump sum payment for aged care, is likely.

“Typically, a bond for aged care is in the hundreds of thousands of dollars and will be needed for those who have a preferred care accommodation in mind,” he said.

Mr Gallagher added that the Minister for Ageing, Mark Butler, said this week that the aged care system is struggling to meet the needs of older Australians and may not be capable of meeting future needs as demand dramatically increases.

“The Gillard government is also likely to respond to the Productivity Commission report on aged care reform shortly, and this could well include a number of changes to the financial arrangements underpinning aged care in Australia,” he said.

“Increased calls for those who can afford it to contribute more towards the cost of their aged care; the reduced ability of governments to provide publicly funded care; and a huge increase in the incidence of diseases such as dementia affecting the elderly, are all issues that retirees must consider if they are to manage their own future.”

Mr Gallagher said that retirees need to think about, and discuss with their family and adviser, what their preferred option might be if faced with this situation, and the time to do this is when they retire so that it can be taken into account in their planning.

“Apart from anything else, searching for the right aged care home can be overwhelming and thinking about it over time is much the better approach.

“It makes a big difference to both retirement and estate planning.

“Retirees may not be able to pass on their family home to their children, may need to set up a reverse mortgage, or not be able to set up the trust they had planned for their grandchildren’s education.

EQT Media Release

Discover the value of experience



“In addition to a Will with a trusted executor, retirees should have an enduring power of attorney so that decisions can be made on their behalf if they become mentally incapable,” Mr Galagher said

***About Equity Trustees:** Equity Trustees is a publicly listed company that provides a range of financial services to corporate and private clients. Its businesses include private client wealth management, funds management, responsible entity appointments, and corporate and personal superannuation.*

It owns two advisory businesses specialising in aged care advice and assistance, Lifetime Planning and Tender Living Care, which form part of the EQT wealth management business. Services include sourcing suitable aged care accommodation for clients and providing financial advice on paying for care.

-oOo-

For more information please contact:

Phil Galagher

Phone: 03 8623 5221

Email: pgalagher@eqt.com.au

Equity Trustees Limited

AFSL No 240975 ABN 46 004 031 298

Level 2, 575 Bourke Street Melbourne Victoria 3000 Telephone (03) 8623 5000 Facsimile (03) 8623 5200

Email equity@eqt.com.au Website www.eqt.com.au