Aged care

Advice can make the difference

Making the decision to move into an aged care facility can be an emotional time as it involves a major lifestyle change and there are many important decisions to be made.

Decisions surrounding aged care are sometimes made by the person going into care, but in many cases the responsibility is left to their adult children. Many important decisions need to be made prior to entering the aged care facility and one of the biggest challenges is understanding the complexity of the options available.

There are four main areas for consideration:

- determine eligibility
- find suitable aged care accommodation for your needs
- liaise with your professional advisers to understand and identify the costs of aged care and address estate planning needs, and
- understand and complete the application process for placement.

Determine eligibility

To determine eligibility the Australian Government has provided Aged Care Assessment Teams or ACAT to assist in this process. The teams are made up of health care professionals who can approve eligibility for entry into residential aged care, in either low level care or high level care and provide information about residential aged care and home care services in your area. A member of an ACAT will visit the person seeking aged care to ask some questions about their lifestyle and health needs to help work out the best care option for them.

The different types of care

In low level care residents can live independently, but get help with meals, laundry and personal care (such as dressing and bathing). In high level care, residents get the same services as in low level care as well as 24-hour nursing care.

Finding a facility

Once the assessment of eligibility is successful you need to find a facility that caters to the required needs from a care perspective, however also provides for personal preferences and tastes. You can apply to as many aged care homes as you wish and when a place becomes available, the home will contact you and if you wish to accept the place, you should then meet with the home's manager to discuss the resident agreement.

A resident agreement is a formal agreement between the resident and the aged care home and should be offered before the resident moves in.

If the resident agreement includes accommodation payments, it will need to be signed within 21 days, allowing time to seek professional advice.

Fees and charges

There are two types of payment: daily care fees, which cover daily living costs (like laundry, meals and nursing) and consist of the daily care fee and the income-tested daily care fee and the accommodation payment, which consists of the accommodation charge or the accommodation bond, which is used to improve building standards and the quality of services provided.

Making appropriate decisions

Professional advice is increasingly important to consider the options to pay for care, and to provide help navigating through the system.

Your present position

- Current investments
- Options for funding the entry fee, ongoing payments
- Current assessment process and aged care options

Family home options

- The family home. Retain? Rent? Sell?
- Affects the age pension and aged care fees

Age pension

- Potential loss of pension
- Strategies to maintain and maximise pension
- Cashflow management
- Risk management

Aged care fees

- Fees, charges and payment options
- Strategies to minimise fees
- Management of reverse mortgages

Estate planning

(in conjunction with your solicitor)

- Wills, enduring Power of Attorney
- The next generation

Tax planning

- Capital gains tax
- Medical expenses tax offset
- Other tax payment and rebates
- Other tax implications

In addition to seeking professional advice there are many resources available to make the transition into an aged care facility easier for you. Visit www.agedcareaustralia.gov.au and www.health.gov.au for more information.

News bites

Voluntary contributions on the increase

Voluntary contributions to superannuation doubled in the June quarter, according to data released by the Australian Prudential Regulation Authority.

While voluntary super contributions reached a four-year low in the March 2009 quarter they increased to $5.6 billion in the June quarter.

Despite this large rise, contributions are still 25 per cent lower than this time last year, indicating that while superannuation member confidence is increasing, there is still a way to go.

Household saving ratios improve

Household saving rates are continuing to improve, a likely result of households reining in spending as a result of the global financial crisis.

The saving ratio rose to 4% in the June quarter of this year, and is the second highest figure since 1996[1]. The household savings ratio measures net savings as a proportion of household net disposable incomes.

Household savings peaked in 1975 at 18% but declined steadily over the past 30 years before reaching a low of -4.4% in 2002[2], when people were spending more than they were earning (and thus incurring debt).

The reduction in savings rates over this period can be attributed to a number of factors, including the increase in asset ownership (which ties up savings in non-liquid assets), as well as easier access to credit (so there is less need to save for a 'rainy day').

But the global financial crisis appears to have lessened this trend. Due to increased financial pressure, credit being harder to access and uncertain job security many households have begun to build up their savings again, possibly as a strategy to protect themselves from uncertainty.

1 www.aph.gov.au/library/pubs/msb/34.htm

2 Australian Government – The Treasury, Economic Roundup Issue 4 2008

Australia: a great place to live

Satisfaction with life in Australia is at an all time high at 85.3 on a 100 point scale which is the highest it has been during the Wellbeing Index's eight-year history.

Satisfaction with the economy has risen to 59.9 points and satisfaction with the standard of living has risen to 78.8 points.

Professor Robert Cummins, who is the Wellbeing Index's author and a professor at Deakin University, said the increase could be because of government stimulus packages, lower interest rates and confidence the economy would recover.

'Relatively speaking, Australia has weathered the economic storm quite well, so people are contrasting Australia with other countries that have not been so lucky,' Professor Cummins said.

Source: Herald Sun, 18 August 2009.

Super unfair on women

Two major industry bodies, The Australian Institute of Superannuation Trustees (AIST) and the Association of Superannuation Funds of Australia are pushing for super reforms for women.

'The fact that women live longer than men, spend less time in paid work and are over-represented in the hidden unemployed has serious implications for their standard of living in retirement,' said Fiona Reynolds, chief executive of AIST.

When a women files for divorce, the gap widens between the two genders with research showing recently divorced women have around $40,000 in super compared to men with $145,000.

Initiatives being proposed include calling on employers to help employees to contribute an additional one per cent of their salary to super, raising the co-contribution income threshold, the introduction of soft compulsion on employee contributions to super and the removal of the $450 monthly income threshold for compulsory super payments.

Source: Financial Standard, 1 September 2009.

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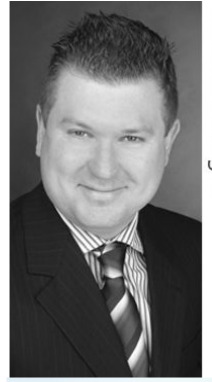

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Super

Position yourself for maximum benefit

For many, superannuation is a set-and-forget investment. But unless you actively set your super investment strategy to suit your personal circumstances, you may not be making the most of this attractive investment vehicle.

You've worked hard to make money and get yourself established financially, so it goes without saying that any investments you make would be carefully considered. This consideration process usually involves researching the types of investments available, the level of risk involved and the investment timeframe.

But do you pay this much consideration to your investments within superannuation? Unless you're getting close to retirement, superannuation can often be a low priority. With many super funds allowing flexibility in their investment portfolios, it's worthwhile ensuring the portfolio you are invested in suits your needs. It can make a big difference in the long term if you balance your risk tolerance against potential investment returns.

Obviously your life stage, financial and lifestyle goals play a part here. Someone who is 30 and potentially has another 30 years in the workforce has a long investment timeframe, so may be willing to accept a higher level of risk and thus achieve a higher return over this period by investing in an aggressive or growth portfolio.

Someone aged in their early fifties with a large super balance may be interested in protecting their capital, rather than achieving high growth, and thus invest in a more conservative portfolio. Alternatively, if that same person had a smaller super balance and had a shorter investment timeframe, they may make the choice to take on more risk in order to achieve the potential returns needed to satisfy their requirements in retirement.

Positioning yourself for opportunities

A number of super fund members have taken evasive action during the global financial crisis and changed their portfolios to cash or conservative investment options. Depending on their circumstances, many of these people could have missed out on any gains experienced over the past few months and into the future.

For those who sat tight and left their superannuation alone during the global financial crisis, the slight recovery and positive returns are the reward for being patient, sticking with their strategy and not reacting emotionally to falls in investment markets.

While the global financial crisis drove the average super fund in Australia down by around 27 per cent, research by Chant West has shown that the average super fund has grown by more than 18 per cent during the past seven months. So while there is a little way to go before returns are on par with pre-GFC levels, there are promising signs.

The point is that, in light of the slight recovery in investment markets and positive signs in the economic outlook, it's important that you are well positioned to take advantage of and maximise any opportunities that are available.

Super is a generally a long term investment and with the flexibility that is available, it's worth taking the time to make sure that your super strategy is the best one for you.

Also in this issue What gets planned gets done Active investing vs passive investing: the verdict What price for peace of mind? Our commitment to you Aged care: Advice can make the difference News bites

What gets planned gets done

Ask someone 'where do you want to be in five years time?' and many will stare back at you with a blank expression and struggle to articulate their goals. The reality is that most of us don't take setting goals all that seriously. We may have dreams, but rarely do we put firm goals in place to help us reach them.

Setting goals is a proven strategy for achieving things we want in our lives, from personal aspirations to career ambitions and financial goals. A goal is essentially just a well defined target that we are aiming to achieve. And research has shown that setting goals actually improves our ability to achieve them.

A common approach to goal setting is using the SMART principle. SMART is an acronym for Specific, Measureable, Action-oriented, Realistic/Relevant and Time-specific. Setting SMART goals allows you to properly define your goal, which in turn should help you formulate a strategy to achieve them. Goals should also be slightly aspirational – a little out of reach but still attainable. If they are too difficult to achieve, it's likely you'll give up.

For many people 'I want to exercise more' is a goal. This goal is not SMART, but it's easy to make it SMART by adding a few details. For example, 'I want to exercise three times a week for 45 minutes' is SMART and because of this, should be easier to measure your success at achieving it.

A common trap people fall into when setting goals is failing to stick to them. SMART goals can reduce this somewhat, however there are a number of other tips to help you achieve them:

- Keep the goal simple – one task per goal only!
- Choose significant goals – you need to care about your goal or you'll struggle to find the motivation to achieve it.
- Have a strategy in place – plan how you'll achieve your goal.
- Share your goals – commit yourself to achieving the goal and be accountable. Write your goal down – you'll be more likely to achieve it if you do.
- Start today – the sooner you start, the sooner you'll be on your way to achieving your goals and hopefully realising your dreams.

Setting goals can:

- ✓ give you a target to aim for
- ✓ allow you to establish priorities
- ✓ provide motivation, persistence and desire, and
- ✓ provide a road map for achieving them.

Active investing vs passive investing

There's no magic formula to 'beat' investment markets, but a combined approach to investing, through active and passive management could help.

When it comes to investing, there are two schools of thought: those that believe you can 'beat' the market through careful stock picking and market timing (active investing) and those that believe you can't.

Those that say you can't beat the market claim you should invest in the same securities in the same proportions as a market index. This approach is known as indexing. As no decisions are made about which securities to buy and sell (you simply buy them all via an index fund or Exchange Traded Fund), it's considered a passive style of investing.

According to Vanguard Investments, one of the pioneers in index investing, active fund managers comprise about 90 per cent of the market. Passive investing made its appearance back in the 1970s and has emerged as a serious investment strategy since then. Its growing popularity has been significant recently following widespread disappointment with active managers' results during the global financial crisis. This has led to greater competition and debate between the advocates of both approaches.

There are a number of advantages and disadvantages to both approaches. Active managers offer the **possibility** of above index returns which of course index funds do not. The notion that active managers can beat the index through a combination of research, skill, knowledge and experience makes logical sense to most investors. Another advantage promoted by active managers is their capacity to limit the extent of market falls by actively changing the makeup of their portfolios to best effect. Obviously index funds can't do this either.

The fundamental advantage an index fund has over an actively managed fund is cost (they are far cheaper) and the fact that active managers have an inconsistent record of outperforming the index (particularly after fees) despite the advantages they claim to have. Performance tables provide all the evidence you need. At any given time you will discover there are active managers who are above and below the index.

Genesys has always maintained that high quality active management coupled with passive investments provide the best of both worlds and can lead to a successful outcome for clients. Active managers provide portfolios with the opportunity and potential to exceed objectives, whereas passive managers can be used to lower costs and as substitutes in asset classes where active management does not have a good track record of outperformance.

The ideal combination will largely depend on your own specific time horizon, preferences, investment goals and tolerance for risk. How much to allocate to passive versus active investment strategies is a complex decision that requires careful planning and execution. Your Genesys adviser can discuss this with you to ensure your future wealth goals are achieved.

What price for peace of mind?

With the cost of life insurance dropping, why is Australia one of the most underinsured nations in the developed world?

In the past 15 years, the cost of life insurance has shrunk substantially. Life insurance premiums that cost $1,000 in 1993 cost around $548 in 2008, while a basket of goods that cost $1,000 in 1993 would have cost $1505.25 in 2008. Insurance premiums have fallen by around 45 per cent in that time, but the same basket of goods now costs 50 per cent more[1].

For less than $1 a day in premium, a 35-year-old non-smoker male can buy $500,000 of life cover[1]. With many people already having a small amount of cover in super, increasing this to adequate levels can cost even less.

A survey of claims in 2008 revealed that the industry paid out over $2.3 billion in claims on nearly 35,000 policies. In total, 13,000 Australian families received an average payout of just $91,000 on the death of a partner in 2008. With the average Australian household debt for a family with children under the age of five being $167,000, the average claims payout highlights the underinsurance problem[2]. The low level of cover means that if Australians need to claim, they may find the benefit they receive to be insufficient to their needs.

Around 83 per cent of working, adult Australians say they have car insurance, yet less than 31 per cent have income protection insurance, according to the Investment and Financial Services Association (IFSA). Why would their most valuable assets, their life and ability to earn an income, not be afforded the same priority?

The average Australian has many other expenses competing for their dollars, so when limited financial resources are at play, insurance is one of the purchases that is often overlooked.

One of the key problems is that instead of being regarded as a sensible means of risk protection, insurance is often seen as a grudge purchase, or even a non-essential item.

Consider the following[3]:

- More than 60 per cent of Australians will be disabled for more than one month during their working life.
- More than 15 per cent will be disabled for more than three months during their working life.
- One in six men, and one in four women, is expected to suffer a disability from the age of 35 to 65 that causes a loss of six months from work.

So consider the consequences of not being able to work for six months, or a year, or more as a result of illness or injury. Or, worse still, the death of the family's breadwinner. While nothing can compensate for the emotional loss that such a catastrophe causes, it is possible to protect your family or business finances by putting in place appropriate personal risk insurance.

So, if you want the peace of mind that comes with knowing that, whatever happens in the future, you and your dependents are financially secure, review your personal risk insurance cover today.

1 CommInsure
2 IFSA, Information Pack: Key Industry Facts, 9 August 2009
3 Institute of Actuaries Table IAD1989-93 and ALT90-92

Our commitment to you

We are completely committed to helping you achieve your financial and lifestyle goals. We want to take this opportunity to communicate our promise to you in detail.

Our commitment is to provide you with:

Security	Our firm is managed by the people in the office, and we work as a team to support you. The strength and backing of our licensee, Genesys, enables us to provide you with security, support and peace of mind.
Control	If we cannot demonstrate our value to you, by giving you the knowledge to make informed decisions that give you the level of control you desire, then we believe we shouldn't take you on as a client.
Tailored advice	We have access to technical specialists and a broad range of researched products that allow us to provide you with a tailored strategy. We always recommend what is appropriate for you and your life – at no time are we required to recommend particular products.
Outstanding service	We want you to live the life you love, so we will always put your interests first. We promise to take the time to get to know you and will make experienced, informed and responsive people available to you.
Professional standards	We are committed to continuous self-improvement and learning and will only ever provide advice in areas where we are qualified to do so. Our business operates in a highly regulated environment and we welcome regular Genesys audits to demonstrate the due care we give to our clients.
Value	We will disclose all fees and other forms of remuneration so that they are easily understandable. We are confident that our fees are fair and appropriate relative to the lifetime value we can demonstrate. They also provide us with the foundation to run a sustainable business, which enables us to continue offering innovative solutions to you and your family into the future.

We are backed by the vast resources and support tools of the wider Genesys Group, which in turn is backed by the strength and infrastructure of the Global AXA Group, one of the world's leading financial services organisations. This support helps us deliver our commitment to you.