



Australian Government
Department of Health and Ageing

Aged Care and Pensions – Further Harmonisation

Why is this important?

- The aged care assets test does not treat gifts and complying income streams in the same way as the pension assets test. This can be confusing for older people considering entering an aged care home.
- These rules will be brought into line from 1 January 2007, with those for pension purposes also applying to aged care asset testing.
- Gifts made by prospective residents in excess of \$10,000 in any financial year or \$30,000 over five years will be deemed to still be part of the resident's assets for the purposes of the aged care asset test.
- Gifts made from 10 May 2006 will be assessable.*
- A new class of complying income streams (market linked income streams) will become eligible for assets test exemption. In addition, 50 per cent of the value of any market linked income stream purchased after 20 September 2004 will be exempted from the aged care assets test.
- A 50 per cent exemption from the aged care assets test will also apply to other complying income streams purchased after 20 September 2004.
- Complying income streams purchased before 20 September 2004 will continue to have 100 per cent of their value exempted from the aged care asset test.

* Amended 28 July 2006 to clarify the proposed arrangements for the treatment of gifts for aged care assets assessments, consistent with the description on page 251 of Budget Paper No. 2.

Who will benefit?

- Entry to aged care homes for prospective residents will be made less complex by making assets testing arrangements for the pension and aged care the same. Older Australians who can afford it will make a fairer contribution to the cost of residential aged care services they receive.
- The changes will not affect existing residents unless they change aged care homes.

What funding is the Government committing to the initiative?

- It will provide estimated savings of \$71.7 million over five years.

What have we done in the past?

- This is a continuation of the harmonisation of aged care and pension arrangements.

When will the initiative conclude?

- This initiative will be ongoing.