



AGED CARE LOAN

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The La Trobe Financial Difference

La Trobe Financials success is due to our disciplined investment philosophy, shaped from over 70 years of asset class experience. Our rigorous credit assessment process targets a portfolio of small exposures, highly diversified by geography and sector and with strictly controlled loan to value ratios.

Our role as a Fund Manager is to be clearly focused and to deliver with distinction. Our team is driven by the need for consistent performance. Investors are looking for low volatility and consistent income at a premium to comparable investments.

Assisting those who are under-served by the major banks has been at the core of La Trobe Financial's service proposition since 1952.

Moving a loved one into an aged care facility can often be a traumatic experience. The financial side of this can add even more stress with pressure to find significant funding in a short space of time. Often a Refundable Accommodation Deposit is required and this can commonly exceed \$500,000.

How to fund this payment is a complex problem for many families. La Trobe Financial offers a loan that can be used specifically to make this payment, reducing the stress for families at a very emotional time.

Our experienced team has developed a product that is easy for the client and their family to set up, making the transition to aged care less complicated.

Features

- Loans of up to 50% of the property value available
- No principal repayments required during the term of loan
- No interest payments required until the total loan balance increases to 140% of the initial amount borrowed
- Available for a term of up to 7 years
- Can be set up under an Enduring Power of Attorney
- Flexibility to rent or sell the property without time pressure

General Features

Primary purpose	Fund Refundable Accommodation Deposit (RAD) payable on move to aged care.
Additional permitted purposes	Repairs to security property. Repayment of debts/mortgage. Payment of loan set up fees.
Borrower (or under an enduring power of attorney)	Individuals aged over 80 considering a move into aged care or already a resident. (Younger borrowers considered on application).
Security	First charge over residential property; and Charge over the RAD.
Property options	Primary residence Investment property (Both can be rented out)
Maximum term	7 years
LVR	Up to 50% of property value at settlement.
Maximum loan	\$750,000 Higher considered on application.
Minimum loan	\$100,000
Rate	4.90% variable rate for the first 5 years (steps up 2% in years 6 and 7) [^] . Charged monthly, calculated using a simple interest methodology based on the outstanding loan balance. Comparison Rate 7.02%*
Repayment	Repayment due on: <ul style="list-style-type: none"> • Leaving the facility; • Passing away (9 months to repay); • Loan term expiry; or • Sale of property. Interest repayments become due when the total loan balance increases to 140% of the settlement total.
Partial repayments	Permitted
Redraw	Not available, but further advances considered subject to valuation.
Portability	The loan is portable to another Aged Care Facility at La Trobe Financial's discretion, subject to a processing fee and property revaluation.
Application fee (can be paid from settlement proceeds)	\$2,500 Other fees applicable in set up – contact La Trobe Financial for details.
Ongoing fees	\$25 six-monthly statement and account service fee (added to balance).



The Costs of Aged Care

When moving into aged care, a resident is required to pay either a RAD, which is a lump sum, a Daily Accommodation Payment (DAP) or a combination of both. The amount payable is published on the aged care facility's website, with RADs commonly in excess of \$500,000.

As the name suggests, the RAD is refunded when the resident leaves the facility, whereas the DAP payments are not. The facility will invest the RAD, but only the initial capital amount is returned (less any outstanding fees). The Federal Government provides a guarantee for repayment of the RAD.

In addition to this, a resident will need to pay a Basic Daily Fee, a Means Tested Care Fee and sometimes an Additional Services Fee.

Rather than just relying upon a property sale to fund a RAD, the Aged Care Loan provides a number of significant emotional and financial benefits for the borrower and their family.

Benefits

Emotional Benefits

- Breathing space whilst dealing with the move into Aged Care
- Able to retain family home
- Able to visit home
- Option to return home

Emotional & Financial Benefits

- No fire sale of the property
- Less family complexity in who pays for care
- No need to provide guarantees to the Aged Care Facility
- Able to renovate/repair ahead of rental/sale without pressure

Financial Benefits

- Able to rent out the property and deduct loan interest
- Opportunity to reduce the Means Tested Care Fee as the value of the property is capped for this assessment
- Possible eligibility for 6 Year Capital Gains Tax waiver on the property
- Land tax exemptions may apply

Case Study

Amount Borrowed: \$250,000

Property value:	\$500,000
Starting LVR:	50%
Maximum LVR limit:	70% (140% of the amount borrowed)
\$ limit when repayments are required:	\$350,000

Amount Borrowed: \$150,000

Property value:	\$500,000
Starting LVR:	30%
Maximum LVR limit:	42% (140% of the amount borrowed)
\$ limit when repayments are required:	\$210,000

How it works

- The application may be lodged by the borrower or more commonly under an Enduring Power of Attorney (EPOA)
- Valuation to be undertaken on the residential property
- The borrower or their Attorney gives the Aged Care Facility a direction to refund the RAD to La Trobe Financial (or it can be included in their Aged Care Agreement)
- The Aged Care Facility acknowledges the direction to refund the RAD to La Trobe Financial
- Repayments of interest are only required to be made when the total balance of the loan increases to 140% of the initial settlement amount, usually around 5 years
- Repayment events include the borrower leaving aged care to return home, passing away, selling their property or the 7 year term being reached
- Any amount above the RAD refunded would typically be repaid through the property sale. The borrower or their estate would have 9 months to make this payment to allow time for probate and an orderly sale

See our website for Frequently Asked Questions (FAQs).



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*The comparison rate is based on secured credit of \$150,000 and a term of 25 years. WARNING Different amounts and terms will result in different comparison rates. Costs such as redraw fees or early repayment fees and cost savings such as fee waivers are not included in the comparison rate but may influence the cost of the loan. Terms, conditions, fees, charges and La Trobe Financial lending criteria apply.

[^]Depends on loan amount and risk grade of the borrower.

All features and interest rates are current as at the date of publication and may change. Terms, conditions, fees, charges and La Trobe Financial lending criteria apply.

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