

Managing cashflow when the home won't sell

COVID-19 has turned everyone's world upside down – and the implications are widespread. People moving into, or already living in, aged care are feeling the stress with implications around how to manage the former home.

A move into residential aged care often leaves the former home vacant, and families with the dilemma of what to do with the home.

Many people choose to use their former home to help pay their aged care fees, in particular the accommodation costs. This is where advice and cashflow modelling is important to help understand the implications and compare options such as selling, renting or drawing out equity. This may help to remove some of the stress with making the decision.

The current COVID-19 crisis increases the importance and value of advice. Rental income may be uncertain as tenants who lose jobs may be looking to negotiate lower rent arrangements and houses may take longer to sell. Social distancing rules have stopped auctions and open houses but real estate agents are innovating with private inspections and online tours. Advice from a real estate agent to evaluate the market can help with timing and setting expectations.

Financial advice can also help you to understand other strategies that can be used to manage cashflow and give you breathing space while you wait for a sale at a reasonable price. Rushing a sale may be costly if it forces you to accept a low price. These strategies may include:

- Paying a portion of the accommodation payment as a lump sum (called a refundable accommodation deposit – RAD) and asking the provider to take other fees out of this amount, or
- Accessing the Pension Loan Scheme from the Government to borrow some of the equity from your home as increased cashflow or bridging finance, at least until the property market picks up and you are able to sell or secure a tenant.

And if things get really difficult, you may have the option to apply for financial hardship to get some concessions on the fees you have been asked to pay. There are some strict conditions, including no excess gifting in the last five years – so think before you try to help the kids out.

Everyone's situation is unique and the interaction between age pension, aged care fees, taxation and cashflow can be complicated which is why it is important to have all the information to make an informed choice.

Contact us today if you are looking at options for yourself or a family member or just need some advice to navigate the aged care maze. We are here to help, and in the spirit of social distancing we are able to run meetings via video conferencing.

Disclaimer: The information in this article is general and does not take into account your particular circumstances. We recommend specific tax or legal advice be sought before any action is taken and refer to the relevant Product Disclosure Statement before investing in any product. Current at 9th April 2020.



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