Residential Care Subsidies – Working it out

The underlying purpose of the Social Securities Act 1964 is to ensure that financial support is available to people who require it. The availability of this support is subject to means testing, and the Act requires that "where appropriate they should use resources available to them before seeking financial support under this Act". These resources may include assets held in trust.

The Ministry of Social Development **(MSD)** carries out the means assessment for people going into residential care.

The residential care subsidy provides financial help to a person who:
- has been needs assessed as requiring long term residential care in a hospital or rest home;
- will need this care for an indefinite length of time;
- requires that care from a recognised service provider;

and the person is either:

- aged 65 or over who has been means assessed and has assets at or below the threshold set; or
- aged 50 to 64 years, single with no dependent child.

To qualify for the residential care subsidy the applicant, as at 1 July 2022, must have assets less than:

Single	Couple (one in Rest home)	Couple (both in Rest home)
$256,554 in total assets	Either $140,495 plus house and car; or $256,554 in total assets	$256,554 in total assets

Note: The asset level is increased by the Consumer Price Index on 1 July in each year.

Assets include all assets owned except for personal belongings, e.g. jewellery. This includes any debts owed to the applicant by the trustees of a trust.

Note: These are not net assets. Liabilities (except limited number of genuine liabilities as determined by MSD) are not offset against assets for assessment purposes.

The assessment for eligibility for the subsidy is made on a per application basis not per couple. For the purposes of an assessment MSD includes the total assets of a couple. It does not matter whether the property is owned separately or jointly. A relationship property agreement does not affect the assessment. It is the assets **available** to the couple.

Deprivation of Assets

MSD rules relate to the applicant depriving themselves of assets by:
- providing interest free loans;
- entering into deeds of family arrangement whereby they relinquish their rights to assets;
- making gifts.

These assets, even though they may no longer be owned by the applicant, may be considered for assessing the entitlement to the subsidy.

For example, gifting (whether it be to a trust or a family member) is treated as follows:

- In the five years prior to making an application a gift of $7,000 per year, per application (not per couple), is not included in the applicant's assets;

- Gifts made more than five years ago may total up to $27,000 per year per application and not be part of the applicant's assets.

Gifts over the allowed amount will be counted back into the applicant's asset pool and used for assessment for eligibility for the subsidy. So, for example, if a couple has been gifting $27,000 each over the past eight years, and one goes into care, the total added back into the asset pool is as follows:

$27,000 x 2 x 5 years	$270,000	
less $7,000 per year allowed	$ 35,000	$235,000
$27,000 x 2 x 3 years	$162,000	
less the $27,000 per year allowed	$ 81,000	$81,000

A total of **$316,000** is therefore added back into the couple's asset pool.

MSD's policy has not changed following the abolition of gift duty. If for example you made a gift of $250,000 in October 2019, and go into care in 2022, MSD will add back $233,000 to your asset pool. That is, a single $27,000 gift will be allowed.

MSD will also look at the pattern of distributions made to the applicant from a trust. For example, if the trustees have for a number of years distributed $25,000 per year to the applicant and this stops when the applicant goes into care, this may be viewed by MSD as deprived income and counted back into the asset pool.

Income

A resident of a rest home may earn income but this may be required to be contributed towards their care. As at the date of this article the first $1,114 per year for single clients, $2,228 for a couple both in care, or $3,341 for a couple with only one in care, is excluded from the contribution.

Loans

Where applicants are not financially eligible for the residential care subsidy but own a home, they may be able to have an interest free loan to help pay for care. The loan is secured by a caveat registered against the title of the home.

To be eligible for this the applicant must have other assets less than $15,000 for a single person or $30,000 for a couple.

A loan cannot be arranged on homes where the home is owned by another party, for example, by another family member or a trust.

This is a brief summary of the current rules relating to residential care subsidies. Please contact us for more detailed information.

For more information or assistance please contact any of our Trust and Estate Team.

Alison Gilbert
Partner
Tel: +64 9 379 9350
DDI: +64 9 979 2253
email: gilbert@brookfields.co.nz

Sacha Jugum
Senior Solicitor
Tel: +64 9 379 9350
DDI: +64 9 979 2106
email: jugum@brookfields.co.nz

Lucy Moyle
Senior Solicitor
Tel: +64 9 379 9350
DDI: +64 9 979 2223
email: moyle@brookfields.co.nz