Asset Protection and Residential Care Subsidies

Legal Guide
December 2016
# CONTENTS

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Your Home</td>
<td>2</td>
</tr>
<tr>
<td>Protection of your Home using a Trust</td>
<td>2</td>
</tr>
<tr>
<td>Residential Care Subsidies</td>
<td>2</td>
</tr>
<tr>
<td>Alternatives to a Trust</td>
<td>5</td>
</tr>
<tr>
<td>The Benefits of the Trust</td>
<td>5</td>
</tr>
<tr>
<td>Enduring Powers of Attorney</td>
<td>5</td>
</tr>
<tr>
<td>Wills</td>
<td>5</td>
</tr>
<tr>
<td>Prepaid Funeral Account</td>
<td>6</td>
</tr>
<tr>
<td>How We Can Help You</td>
<td>6</td>
</tr>
</tbody>
</table>
Your Home

Most couples own their own homes either as joint tenants or as tenants in common. A joint tenancy means both names of the owners are on the title and the property is inherited by the surviving spouse or partner on the death of the first of the owners.

Property held as tenants in common in percentage shares means each party owns that percentage (normally 50%) of the house (or other assets) which is distributed on the death of either party in accordance with the terms of that person’s Will.

Under the present law any assets in your name either solely or as joint tenants or tenants in common can be used to pay for any liabilities which you may have.

Protection of your Home using a Trust

By transferring your property to a Trust the property ceases to be owned by yourself. This involves selling property to the Trust. This usually involves the preparation of an Agreement for Sale and Purchase and selling the property from yourself to your trustees at market value. Your trustees acknowledge a debt back to you for the value of the home, and thereafter you immediately embark on a gifting programme to forgive the debt owed by the Trust.

The donors thereafter gift a maximum of $27,000.00 per year between them to forgive the indebtedness owing by the trustees of the Trust. Gifts in excess of $27,000.00 can be made after 1 October 2011 without payment of any gift duty, but will affect eligibility to obtain a residential care subsidy and other WINZ benefits.

The beneficiaries of the Trust are named in the Trust Deed and we recommend discretionary Trusts to enable the trustees to benefit any of the beneficiaries from either the income or capital from the Trust.

Under the current laws and policies surrounding the means assessment, there can be no guarantee that even if property or assets are held in a Trust, that they will be excluded from calculation.

Residential Care Subsidies

The residential care subsidy provides financial assistance for long term residential care in a rest home or hospital.

Applying for this subsidy requires an applicant to undergo a means assessment.

The means assessment for the residential care subsidy is completed by WINZ. Eligibility for the subsidy may be affected if you have deprived yourself or gifted away cash and/or property or income (e.g. interest free loans). You should get legal advice on how your eligibility may be affected before setting out on a gifting program.

Small gifts

Gifts of up to $6,000.00 a year may be excluded from the financial means assessment. It may be possible to gift up to $6,000.00 retrospectively for up to five years if you have received a high level of care before application.

The limit for gifts in the five year period preceding the application for a residential care subsidy is set at the same level of $6,000.00 per year. This should not be confused with the limit of $27,000.00 per year which
was allowed by Inland Revenue as an annual gift without gift duty made before 1 October 2011. Gifts in excess of $27,000.00 per year prior to the five years before making application for the subsidy could also affect eligibility for the subsidy.

Please note these are details from part of WINZ policy and as such are liable to change at any time. Check with a lawyer at any time to see if there have been changes.

Who can get a subsidy?
You may be able to get a residential care subsidy if:
• You have had an assessment of your individual needs that confirms you need long term residential care in a licensed rest home or hospital; and
• You need this care for an indefinite length of time; and
• You are 65 or older (some people aged 50-64 may also qualify); and
• The value of your assets are within certain limits.

Any income you receive goes towards your care – up to a maximum of $907.55 per week (New Plymouth), $892.08 (South Taranaki), $887.95 (Stratford). The first $964.00 of net annual income is exempt if you are on your own, or $1,928.00 for a couple both requiring care or $2,892.00 for a couple where only one partner requires care.

The value of your assets must not exceed these limits:
• $219,889.00 for single or widowed people; or
• $219,889.00 in combined assets if you are a couple and both in long term residential care; or
• $120,416.00 in combined assets (not including your car and the value of the house if it is the principal place of residence of the partner who is not in care) if you are a couple and only one of you is in care.

These exemption thresholds increase by the Consumer Price Index change each year with the next due 1 July 2017.

What counts as assets?
The assets taken into account include:
• Cash or savings;
• Investments, shares or stocks;
• Loans made to other people (including Family Trusts);
• Your house and car if you live alone.

Assets not counted include:
• Your house and car if a partner or dependent child lives at home;
• Personal belongings such as clothing and jewellery;
• Pre-paid funeral expenses for you and your partner of up to $10,000.00 each;
• Household furniture and effects.

What counts as income?
Income is money you get from any source, including:
• New Zealand superannuation, any pension or income support payment;
• Overseas Government pensions;
• New Zealand registered private superannuation schemes and annuities (50% is counted as income);
• Contributions from relatives;
• Accident insurance payments;
• Earnings from investments or business or employment;
• Income from a Family Trust.

A war disablement pension is not counted as income.
If you have a partner caring for dependent children there are maximum income levels that your partner can earn before part of their income is required to be used to contribute towards your residential care fees.

If you own a home
Your home counts as an asset if you are single, widowed, or both you and your partner are in long term residential care.

Your home may not be counted as an asset if your partner or dependent children live in your home. If your home counts as an asset, you probably will not be eligible for a subsidy. However, you may be able to get an interest free loan from WINZ instead. The loan must be repaid if you die or sell the home (in some cases the loan does not have to be repaid straight away when you die).

If your assets are above the threshold because you own your own home and you have limited cash or other assets you may be able to get an interest free loan if:
- Your cash or investments are under $15,000.00 and you are single; or
- $30,000.00 if you are both in care.

Payment
The residential care subsidy is paid directly to the home or hospital. The amount that is paid depends on how much you contribute to your care.

If you get a subsidy
If you receive New Zealand superannuation, a veteran’s pension or income support, most of your payments will go towards your care. The rest is paid to you as:
- A personal allowance of $43.45 a week (net);
- A clothing allowance of $272.50 a year (non-taxable).

If you have a partner living at home and they receive New Zealand superannuation, a veteran’s pension or income support, your partner may get:
- A special disability allowance of $38.48 a week to help with extra costs;
- An increase in their payments.

If your partner does not get payments from WINZ, they may qualify for income support after you go into care.

If your partner receives New Zealand superannuation or veteran’s pension they may qualify for the living alone payment as well.

How to apply
If you need long term residential care, contact the needs assessor in your area. You will need to complete an application.

Govett Quilliam are happy to assist in obtaining and filing all requirements for this subsidy. We can ensure that your assets are protected to maintain the maximum allowable assets.

WINZ will need:
- Proof of your income and assets;
- Proof of pre-paid funeral expenses (if you have a pre-paid funeral account);
- Your current bank statements;
- Proof of your IRD (tax) number;
- Proof of all assets ever gifted.
Alternatives to a Trust

Tenants in common
Most people in a marriage relationship or partnership have traditionally acquired their homes as joint tenants reflecting their joint effort towards the common property. If your property is currently held in your joint names, it is possible to change the form of ownership into tenants in common in equal shares. The creation of a tenancy in common enables you to alter your Will to provide for a life interest to the survivor of the deceased partner’s one half share. Under the present law the survivor never gets to own the whole property outright and one half is always held by the first deceased’s estate.

On the death of the survivor, the first deceased’s estate would then be distributed in accordance with the first deceased’s Will. Under present rules and policies, as the survivor never owns the deceased’s half share in the property, it is not taken into account in the calculations of the rest home subsidy.

Similarly other assets can be dealt with in this way including all investments. This gives us the possibility of saving one half of the assets if the survivor ends up in a rest home. If both spouses end up in a rest home, then of course it will have no effect.

The Benefits of the Trust

By transferring your property and investments to a Trust, the property and investments then become completely outside of the ownership of the individuals gifting into the Trust. This involves the selling of properties to the Trust and then gifting the sum of $27,000.00 per annum per single person or in total if per married couple from monies owing back from the Trust to yourselves under the sale.

After 1 October 2011 gift duty has been abolished and the whole amount could be forgiven. However you should discuss this with your Govett Quilliam legal adviser. The Trust legally owns the property. There are time complications and it is initially more expensive to structure a Trust and forgiveness programme. However, the long term benefits are substantial and there are many reasons why a Trust could be useful for your family. There can never be any cast iron assurances that a Trust, even once established, will safeguard any assets it holds from being considered under the means assessment.

We recommend that you read the Govett Quilliam Family Trust Guide for further information about discretionary Family Trusts.

Enduring Powers of Attorney

We recommend that you read the Govett Quilliam Guide to Enduring Powers of Attorney in relation to Personal Care and Welfare and also Property.

Wills

If you elect either to hold your property as tenants in common in equal shares or in a Trust, your Wills need to be revised to take into account this matter. The Govett Quilliam Guide on Wills and Estate Administration is freely available.
Prepaid Funeral Account

You are permitted to each hold $10,000.00 in a prepaid funeral account and this pre-payment will not count as an asset under the means test.

How We Can Help You

Govett Quilliam is Taranaki’s largest law firm. We have the people, the experience and the resources to assist you, whatever your case may be.

We have prepared this guide as a guideline to asset protection and residential care subsidies. If you require further information, or have any questions about this guide please contact us.

Our partners with experience in asset protection and residential care are:

Ross Fanthorpe  
Partner  
DDI: (06) 768-3729  
Ross.Fanthorpe@gqlaw.nz

John Eagles  
Partner  
DDI: (06) 768-3733  
John.Eagles@gqlaw.nz

Paul Franklin  
Partner  
DDI: (06) 768-3731  
Paul.Franklin@gqlaw.nz

Paul Anderson  
Partner  
DDI: (06) 768-3732  
Paul.Anderson@gqlaw.nz
Please call our office if you would like further information on any guides prepared by our firm. Copies are also available on our website.

- Asset Protection and Residential Care Subsidies
- Business Grants and Assistance
- Buying or Setting Up a Small Business
- Charities
- Companies Act 1993
- Consumer Guarantees Act 1993
- Credit (Repossession) Act 1997
- De Facto Property Rights
- Employment
- Enduring Powers of Attorney
- Fair Trading Act 1986
- Family Trusts
- Flexible Working Arrangements
- Franchising
- Health and Safety in Employment
- House Buying and Selling
- Immigration
- Insolvency and Bankruptcy
- Intellectual Property and Copyright Law
- Liquidations and Receiverships
- Securing Money Lent over Personal Property
- Subdivisions
- Traffic Offences and Breath Testing Procedures
- Wills and Estate Administration

All information in this guide is the best of our knowledge true and accurate. No liability is assumed by Govett Quilliam or its partners, or publishers, for any losses suffered by any person relying directly or indirectly upon this guide. It is recommended that clients should consult a representative of the firm before acting upon the information contained herein.