GUIDE TO

RESIDENTIAL CARE SUBSIDIES

Welcome to **Law North's**

GUIDE TO RESIDENTIAL CARE SUBSIDIES

This guide is designed to help you check if you are eligible for a Residential Care Subsidy

INTRODUCTION

If you need long-term residential care in a hospital or rest home for an indefinite length of time, you may be able to get a Residential Care Subsidy ("subsidy") from the Ministry of Health. This subsidy helps with the cost of care and is paid directly to the hospital or rest home by the Ministry of Health.

Do I Qualify?

Whether you get the subsidy will depend on how much money and assets you have, and how much income you and your spouse/partner earn. You may qualify if you are aged 65 or older, or are between 50-63 and are single with no dependent children.

The Ministry of Social Development (through Work and Income) will carry out a **financial means assessment** ("assessment") which will consider your assets, income and any gifts of money or assets you may have done.

Value of my Assets

If the value of your assets fall ***below*** these thresholds you will be eligible for the subsidy:

Single or have a partner in care

The total value of your combined assets must be $291,825* or less if you either:

- don't have a partner
- have a partner who is also in long-term residential care.

Have a partner not in care

If you have a partner who is not in care, you can choose whether the total value of your combined assets is either:

- $159,810*, not including the value of your house and car
- $291,825*, including the value of your house and car.

Your house is only exempt from the financial means assessment when it is the principal place of residence of the partner who is not in care, or a dependent child.

Some assets are excluded from the assessment, including household furniture, clothing and personal belongings.

Gifting

CAN I JUST GIVE MY ASSETS AWAY, TO COME UNDER THE THRESHOLD AND RECEIVE A SUBSIDY?

You can make gifts, but only up to a certain amount before they effect your assessment.

- For the five years prior to your assessment, you and your partner can **each** gift up to **$8,000*** in assets per year without these gifts having any effect on your assessment.

*As at 04 July 2025. The thresholds are reviewed every year in July.

- Beyond the five years, you and your partner can gift up a total of **$27,000* between you** every year without these gifts having any effect on your assessment.

If you go over these gifting limits, the amount over the limit will be treated as 'assets' in your assessment and could push you over the subsidy thresholds.

Trusts

SHOULD I SET UP A TRUST SO THAT I DO NOT OWN ANY ASSETS TO BECOME ELIGIBLE FOR A SUBSIDY?

We are often asked whether a family trust can assist with someone's eligibility for rest home subsidies should they need care in the future. Our advice has always been that this is *not* a good primary reason for establishing a trust, though trusts on occasion have proved useful for this purpose.

If you set up a trust and gift assets to the trust, you will need to carry out a consistent gifting regime over an extended period of time so you do not go over the gifting thresholds. For someone in their older years, it may not be realistic that the assets can be gifted over to the trust prior to needing care.

Setting up a Funeral Fund

You can arrange a prepaid funeral of up to $10,000 per person. These funds need to be held in a recognized funeral plan. These funds will *not* be included as an asset in your financial assessment.

Loans

CAN I JUST LOAN MY MONEY TO FAMILY SO THAT I DON'T HAVE ANY?

You may be tempted to lend funds to, say, your children to reduce your assets. However, loans are treated as assets because the money is owed to you. Any loans will be listed as assets in your assessment.

Income

MY ASSETS ARE BELOW THE THRESHOLD, BUT DOES MY INCOME COUNT?

Your assets can earn some income, and you can still receive the subsidy. How much?

Single person – Your assets can earn up to $1,267.00* per year.

Couple who are both in care – Your assets can earn up to $2,534.00* per year.

One person of the couple in care – Your assets can earn up to $3,801.00* per year.

*As at 04 July 2025. The thresholds are reviewed every year in July.

Any income over these amounts will be applied towards your costs of care.

Any income your partner earns from employment is excluded in the assessment but their Kiwi Superannuation payment is included.

Even if you qualify under both the asset and income test, Work and Income will enquire about your family trust, and whether by placing an asset in a trust, you have 'deprived' yourself of income that would otherwise be available to you. For example, if the family trust owns a rental property that generates rental income, it may be considered that you have deprived yourself of income. Work and Income may add this rental income back into your financial means assessment. Each application is treated on a case by case basis.

What Next?

The best approach is to get legal advice tailored to your family circumstances. The sooner the better as the gifting limits may mean that you require a long-term plan and if you think you may be needing care within the next five years you should be to reduce any gifting to under $8,000 per year.

Most residential care facilities also require new residents to have a current will and an Enduring Power of Attorney (EPOA) in place. An EPOA outlines who can make decisions regarding both your medical care and your financial/personal property position, should you become incapacitated. Our estates planning team can help you with all of these requirements as well as providing advice on how the residential care subsidy applies to your personal situation, so contact us today.

Should you have any specific queries, please contact us, via email info@lawnorth.co.nz or ring us on 09 407 7099

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