

HOW MUCH IS JUST ENOUGH FOR ELDERLY CARE?

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Many pensioners may be surprised at the cost of a home in a retirement village and prefer to stay in their home, but the cost of private nursing care may be a lot more than accommodation at a retirement village. In fact, pensioners can expect to pay double for private home care compared to renting in a middle-market retirement village. So what options are there and how much will be enough?

“Based on our calculations, pensioners require R20 500 per month for essential expenses, including frail care, to rent in a middle-market retirement village compared to R37 000 per month to stay in their home with 24-hour private home care. Pensioners who require 24-hour home care may however qualify for an enhanced annuity and this might reduce the capital needed to secure the same income. To cover R37 000 per month for life to stay in their home with 24-hour private home care, pensioners aged 75 with a life expectancy that is 25% shorter than the average life will need approximately R3.5 million as a male and R4.4 million as a female,” says Twané Wessels, product actuary at Just.

How much are the monthly essential expenses?

“With a large lump sum in retirement you can obtain life rights (from R1.3 million), a 99-year lease (from R2.8 million), or sectional or full titles from R2.3 to R3.2 million in a retirement village, according to the 2017 Alexander Forbes Benefits Barometer. Life rights terminate on the death of the holder. Some retirement villages also offer

rental schemes, and according to Just research a 75-year-old may require between R2.2 and R2.8 million – depending on their gender – to cover essential expenses for life in a middle-market retirement village,” continues Wessels.

For a middle-market retirement village we estimate the following total monthly expenses:

- Rent R9000
- Levies R2000
- Three meals per day R4480
- Hospital plan R1500
- Frail care that includes 24-hour nursing R3520

Total: R20 500

For home based care we estimate the following total monthly expenses:

- Maintenance, rates and taxes R3500
- A grocery bill of R3500
- Hospital plan R1500
- 24-hour home based care R28 500 (based on an average rate of R800 per day excluding VAT)

Total: R37 000

The cost of home based care varies widely per provider and depends on the number of hours of care required per day. It is more expensive on Sundays and public holidays. For 24-hour care the cost varies between R200 and R1400 per day.

How much capital does a person require to fund these essential expenses for life?

To determine the required capital we have used competitive with-profit annuity rates, which target increases above inflation.

JustEnough capital to fund monthly essential expenditure, before tax, for a male and female aged 75		
	For a male	For a female
Rent in a middle-market retirement village with 24-hour nursing	R2 200 000	R 2 800 000
Stay in own home with 24-hour private home care	R4 500 000	R5 600 000

Source: Just

Can an enhanced annuity lessen the financial burden?

“If an individual opts for underwriting when they purchase an annuity they may qualify for a higher monthly income or require a lower lump sum to purchase the same income (if, for example, they have a lung or heart condition

or suffer from a disease such as diabetes or cancer). To potentially lessen the financial burden of covering essential expenses, it is therefore beneficial that retirees who are purchasing a guaranteed annuity income are underwritten to determine whether they may qualify for a higher monthly income,” says Wessels.

JustEnough capital to fund monthly essential expenditure, before tax, for a male and female aged 75 with a life expectancy that is 25% shorter than the average life		
	For a male	For a female
Rent in a middle-market retirement village with 24-hour nursing	R1 700 000	R2 200 000
Stay in own home with 24-hour private home care	R3 500 000	R4 400 000

Source: Just

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For more information or to set up an interview, please contact:

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