BROOKFIELDS
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Residential Care Subsidies – Working it out

Background

There are currently around 20,000 New Zealanders receiving Residential Care Subsidies **(RCS)**. An RCS helps those who are eligible to cover the costs of long-term care in hospital or a rest home. Eligibility is determined by a Financial Means Assessment carried out by the Ministry of Social Development **(MSD).**

If the person's assets are above the applicable threshold, they pay the maximum contribution rate which is the total cost of rest home care. If their assets are at, or below, the relevant threshold, they are financially eligible for the subsidy. Income is also assessed to determine the contribution towards the cost of their care. The subsidy paid to the person is the difference between the cost of care and the amount a person is required to contribute.

Qualification for Subsidy

To qualify for the residential care subsidy the applicant, as at 1 July 2026, must have assets less than:

Single	**Couple (one in Rest home)**	**Couple (both in Rest home)**
$300,811 in total assets	Either $164,731 plus house and car; or $300,811 in total assets	$300,811 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, household furniture and prepaid funeral (PPF) expenses of up to $10,000. This includes any debts owed to the applicant by the trustees of a trust and occupational right termination payments.

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. Assets are valued as at the date of the assessment, which is the date that the MSD receives the application.

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.

If you are assessed as not being eligible but your assets then fall below the amount, you are able to reapply for another assessment.

Allowable Gifting Amounts

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 $8,500 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 $42,500 each over the past eight years, and one goes into care, the total added back into the asset pool is as follows:

$42,500 x 2 x 5 years	$425,000	
less $8,500 per year allowed	$ 42,500	$382,500
$42,500 x 2 x 3 years	$255,000	
less the $27,000 per year allowed	$ 81,000	$174,000

A total of **$556,500** is therefore added back into the couple's asset pool.

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 take that into account as part of the applicant’s overall financial means assessment.

Income

A resident of a rest home may earn income, but they will use have to use it to contribute towards their care. As at the date of this article the first $1,306 per year for single people, $2,612 per year for a couple both in care, or $3,918 per year 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 either of the following members of our Private Client Team.

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