



NOVEMBER 2025

For adviser use only

Effectiveness of CarePlus from 1 November 2025

By Sean Howard, Technical Services Manager

As part of the 1 November 2025 aged care reforms, there have been changes to the means testing for ongoing costs in residential care. The assessment of assets and income are the same however the calculation of the means-tested amount has changed.

CarePlus has been an effective investment solution for many clients who entered residential care before 1 November 2025. The means test treatment of CarePlus has reduced residential care fees, and being tax effective, has reduced tax payable.

In this month's article, we look at the effectiveness of CarePlus for clients who enter residential care from 1 November 2025. We will use examples to demonstrate the cash flow and estate benefits of investing in CarePlus as part of an aged care strategy.

What is Challenger CarePlus?

Challenger CarePlus (CarePlus) is a combined lifetime annuity (CarePlus Annuity) and life insurance policy (CarePlus Insurance) that can be purchased by clients who receive or plan to receive Government subsidised aged care services. CarePlus Annuity provides guaranteed regular payments for life and CarePlus Insurance provides a guaranteed death benefit, up to 100% of the amount invested, payable to nominated beneficiaries or the estate in the event of the client's death.¹

CarePlus can increase estate planning certainty for clients and reduce the time taken for death benefits to be paid to beneficiaries. Clients can nominate multiple beneficiaries to receive the death benefit directly from Challenger without the need for probate.

CarePlus works effectively with Centrelink and aged care means testing to reduce assessable assets. 60% of the CarePlus Annuity purchase price is assessed until age 85 (with a minimum of 5 years) and then 30% is assessed thereafter. If the client is Age Pension age or over at the time of investment, the greater of the CarePlus Insurance premium and surrender value is assessed.

CarePlus works tax effectively to reduce assessable income. CarePlus Annuity receives a deductible amount which reduces assessable income from the regular payments. The deductible amount is calculated as the CarePlus Annuity purchase price divided by the client's life expectancy at the time of investment.²

For further information on CarePlus, see [Challenger CarePlus Product Disclosure Statement](#) and [Technical Guide](#).

CarePlus works effectively with Centrelink and aged care means testing to reduce assessable assets.

Changes to ongoing costs for residential care

The hotelling contribution (HC) has been introduced and the non-clinical care contribution (NCCC) has replaced the means-tested care fee (MTCF). Both the HC and NCCC will be payable depending on the resident's assessable assets and income.

Assessable assets and income for the HC and NCCC will be the same as that previously assessed for the MTCF. The resident's means-tested amount (MTA) will continue to be compared to the maximum accommodation supplement (MAS) however, the calculation of the MTA has changed.

MTA = Assets-tested amount + Income-tested amount

Assessable assets and income for the HC and NCCC will be the same as that previously assessed for the MTCF.

Assets-tested amount³

Assessable assets	Assets-tested amount
< \$63,000	0%
\$63,000 – \$210,555.20	17.5%
\$210,555.20 – \$252,000	0%
\$252,000 – \$355,366.66	7.8%
\$355,366.66 – \$532,055.20	0%
> \$532,055.20	7.8%

1 Stamp duty (1.5% of CarePlus Insurance premium) will be deducted from the death benefit for South Australian residents.

2 Based on 2020-22 Life Expectancy tables from the Australian Government Actuary (Income streams commenced from 1 January 2025).

3 Aged care rates and thresholds as at 1 November 2025.

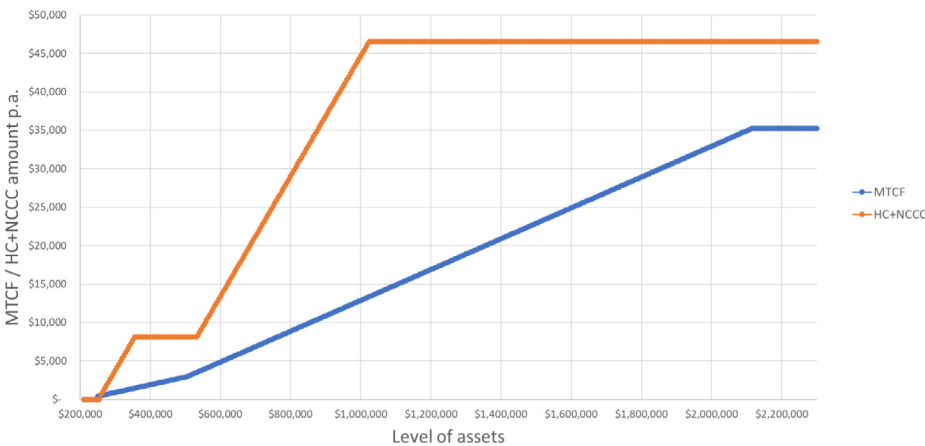
Income-tested amount³

	Assessable income (p.a.)	Income-tested amount
Single	< \$34,762	0%
	\$34,762 – \$86,406.32	50%
	\$86,406.32 – \$101,105	0%
	\$101,105 – \$117,230.20	50%
	\$117,230.20 – \$139,048	0%
	> \$139,048	50%
Couple (each)	< \$34,034	0%
	\$34,034 – \$85,678.32	50%
	\$85,678.32 – \$101,105	0%
	\$101,105 – \$117,230.20	50%
	\$117,230.20 – \$136,136	0%
	> \$136,136	50%

The HC will be payable when the resident's MTA exceeds the MAS (currently \$70.94 per day) subject to a cap of \$22.15 per day. The NCCC will be payable when the resident's MTA exceeds the MAS + maximum HC (currently \$93.09 per day) subject to a cap of \$105.30 per day. The NCCC will no longer be payable after 4 years or when the resident reaches the lifetime cap (currently \$135,318.69).³

Comparing the HC and NCCC to the MTCF, as assessable assets increase with the higher taper rate, the HC and NCCC will reach the maximum amount at lower asset levels. The maximum HC and NCCC will be payable when assessable assets reach \$1,023,460 compared to the MTCF reaching the annual cap when assessable assets exceed \$2,115,100.⁴

Comparison of MTCF and HC+NCCC under the assets test alone



HC – Hotelling contribution

MTA – Means-tested amount

MAS – Maximum accommodation supplement

NCCC – Non-clinical care contribution

MTCF – Means-tested care fee

For further information on the MTCF, see June 2024 Challenger Tech article [‘Quantifying the technical benefits of Challenger CarePlus’](#).

⁴ Assuming assessable income is less than \$34,762 (single) or \$34,034 (couple each).

Case study - Age Pensioner

Susan is single, 85 years old, a non-homeowner and has been approved for residential care. Her chosen aged care facility has an advertised accommodation price of \$400,000. She has \$1,000,000 invested in term deposits and \$10,000 of personal assets.

Susan pays \$400,000 as a refundable accommodation deposit (RAD) and keeps \$600,000 invested in term deposits. She will have \$50 per week of other expenses while she is in residential care. What will be her cash flow and estate value in the first year?

Cash flow	\$600,000 term deposit
Age Pension ⁵	\$25,872
Investment income ⁶	\$24,000
Expenses	(\$2,600)
Total	\$47,272
Care fees⁵	
Basic daily fee	\$23,926
Hotelling contribution	\$8,085
Non-clinical care contribution	\$38,435
Total	\$70,446
Tax payable	\$4,847
Net cash flow	(\$28,021)
Estate value	\$974,231

Susan seeks financial advice to reduce her residential care fees and tax payable. Her financial adviser recommends investing \$500,000 in CarePlus. CarePlus will make regular payments of \$23,259 per annum and pay a death benefit of \$500,000.⁷ What will be her comparative cash flow and estate value in the first year?

Cash flow	\$600,000 term deposit	\$500,000 CarePlus \$100,000 term deposit
Age Pension ⁵	\$25,872	\$25,770
Investment income ⁶	\$24,000	\$4,000
CarePlus payment ⁷	N/A	\$23,259
Expenses	(\$2,600)	(\$2,600)
Total	\$47,272	\$50,429
Care fees⁵		
Basic daily fee	\$23,926	\$23,926
Hotelling contribution	\$8,085	\$8,085
Non-clinical care contribution	\$38,435	\$35,168
Total	\$70,446	\$67,179
Tax payable	\$4,847	\$0
Net cash flow	(\$28,021)	(\$16,750)
Estate value	\$974,231	\$985,500

There is a reduction in her non-clinical care contribution because the investment in CarePlus has reduced assessable assets. There is also a reduction in her tax payable because the regular payment from CarePlus receive a deductible amount, which reduces assessable income. Susan has improved her cash flow and increased her estate value by \$11,269 in the first year.

⁵ Centrelink and aged care rates and thresholds as at 1 November 2025.

⁶ Term deposit and bank account assumed interest rate of 4%.

⁷ Challenger Aged Care Calculator 03/11/2025, 85 year old female, NSW resident, nil adviser fees.

Case study - self funded aged care resident

Jane is single, 85 years old, a non-homeowner and has been approved for residential care. Her chosen aged care facility has an advertised accommodation price of \$700,000. She has \$2,200,000 invested in term deposits and \$10,000 of personal assets.

Jane pays \$700,000 as a refundable accommodation deposit (RAD) and keeps \$1,500,000 invested in term deposits. She will have \$50 per week of other expenses while she is in residential care. What will be her cash flow and estate value in the first year?

Cash flow	\$1,500,000 term deposit
Investment income ⁸	\$60,000
Expenses	(\$2,600)
Total	\$57,400
Care fees⁹	
Basic daily fee	\$23,926
Hotelling contribution	\$8,085
Non-clinical care contribution	\$38,435
Total	\$70,446
Tax payable	\$9,888
Net cash flow	(\$22,934)
Estate value	\$2,173,317

Jane seeks financial advice to reduce her tax payable and ensure her beneficiaries receive their inheritance. Her financial adviser recommends investing \$1,500,000 in CarePlus with nominated beneficiaries. CarePlus will make regular payments of \$65,125 per annum and pay a death benefit of \$1,500,000. What will be her comparative cash flow and estate value in the first year?

Cash flow	\$1,500,000 term deposit	\$1,400,000 CarePlus \$100,000 term deposit
Investment income ⁸	\$60,000	\$4,000
CarePlus payment ¹⁰	N/A	\$65,125
Expenses	(\$2,600)	(\$2,600)
Total	\$57,400	\$66,525
Care fees⁹		
Basic daily fee	\$23,926	\$23,926
Hotelling contribution	\$8,085	\$8,085
Non-clinical care contribution	\$38,435	\$38,435
Total	\$70,446	\$70,446
Tax payable	\$9,888	\$0
Net cash flow	(\$22,934)	(\$3,921)
Estate value	\$2,173,317	\$2,192,330

There is a reduction in her tax payable because the regular payment from CarePlus receive a deductible amount which has reduces assessable income. Jane has improved her cash flow and increased her estate value by \$19,013 in the first year.

Jane has ensured her beneficiaries will receive their inheritance because they are nominated and the death benefit will be paid directly to them without the need for probate.

⁸ Term deposit and bank account assumed interest rate of 4%.

⁹ Centrelink and aged care rates and thresholds as at 1 November 2025.

¹⁰ Challenger Aged Care Calculator 03/11/2025, 85 year old female, NSW resident, nil adviser fees.

Conclusion

CarePlus continues to be an effective investment solution for clients who enter residential care from 1 November 2025. Although the calculation of the MTA has changed, assessable assets and income for the HC and NCCC have remained the same. CarePlus will continue to provide cash flow and estate benefits by reducing ongoing costs for residential care.

Contact details



Visit
challenger.com.au



Email
challengertech@challenger.com.au



Call Challenger Tech team
1800 176 486
(during Sydney business hours)

The information in this article is current as at 1 November 2025 unless otherwise specified and is provided by Challenger Life Company Limited ABN 44 072 486 938, AFSL 234670 (Challenger, our, we), the issuer of the Challenger annuities (Annuity(ies)) and Challenger Retirement and Investment Services Limited ABN 80 115 534 453, AFSL 295642 (CRISL). The information in this article is general information and is intended solely for licensed financial advisers or authorised representatives of licensed financial advisers, and is provided to them on a confidential basis. It is not intended to constitute financial product advice. This information must not be distributed, delivered, disclosed or otherwise disseminated to any investor, without our express prior approval. Investors should consider the applicable Annuity Target Market Determination (TMD) and Product Disclosure Statement (PDS) available at challenger.com.au and the appropriateness of the applicable product to their circumstances before making an investment decision. This information has been prepared without taking into account any person's objectives, financial situation or needs. Neither Challenger and/or CRISL, nor any of its officers or employees, are a registered tax agent or a registered tax (financial) adviser under the *Tax Agent Services Act 2009* (Cth) and none of them is licensed or authorised to provide tax or social security advice. Before acting, we strongly recommend that prospective investors obtain financial product advice, as well as taxation and applicable social security advice, from qualified professional advisers who are able to take into account the investor's individual circumstances. Each person should, therefore, consider its appropriateness having regard to these matters and the information in the TMD and PDS for the applicable Annuity before deciding whether to acquire or continue to hold the product. A copy of the TMD and PDS is available at challenger.com.au or by contacting our Adviser Services Team on 13 35 66. Any examples shown in this article are for illustrative purposes only and are not a prediction or guarantee of any particular outcome. Age Pension benefits described in this article will not apply to all individuals. Age Pension outcomes depend on an individual (or couple's) personal circumstances and may change over time. This article may include statements of opinion, forward looking statements, forecasts or predictions based on current expectations about future events and results. Actual results may be materially different from those shown. This is because outcomes reflect the assumptions made and may be affected by known or unknown risks and uncertainties that are not able to be presently identified. Challenger and CRISL relied on publicly available information and sources believed to be reliable, however, the information has not been independently verified by Challenger and CRISL. While due care and attention has been exercised in the preparation of this information, Challenger and CRISL gives no representation or warranty (express or implied) as to its accuracy, completeness or reliability. The information presented in this article is not intended to be a complete statement or summary of the matters to which reference is made in this article. To the maximum extent permissible under law, neither Challenger, CRISL, nor its related entities, nor any of their directors, employees or agents, accept any liability for any loss or damage in connection with the use of or reliance on all or part of, or any omission inadequacy or inaccuracy in, the information in this article.