



## FUTURE PLANNING

AN INTRODUCTION TO

# ► Long-term care

GETTING TO GRIPS WITH THE BASICS



The cost of long-term care  
Government support for care fees  
Your property and funding your care

Gifting your property  
Proposed changes to the care system  
Top tips



**In the UK, we are enjoying an increasingly longer life expectancy as a result of higher living standards and advances in healthcare. Combined with a declining birth rate, this means our population is ageing; the Office for National Statistics (ONS) predicts that by 2066, 26% of UK residents (or 20.4 million) will be aged 65 or over, up from 18% in 2016<sup>1</sup>. While many older people can now expect to live to an advanced age in good health, it is inevitable that a proportion of this group will require additional care as they grow older – which comes at a cost.**

With frequent legislative changes and rising care costs to think about, planning for your long-term care needs now is essential to protect yourself and your family down the line.

#### THE COST OF LONG-TERM CARE

According to the Money Advice Service, the average yearly cost of a full-time place in a residential care home is between £30,000 – 40,000 per year<sup>2</sup>. This can rise to £50,000 for full-time care at home, so it may make financial sense to move into a care home.

These costs may not be all-inclusive – day trips, entertainment and other services may cost extra, so be sure to check with the care home exactly what's included in their fee.

For those considering care at home, this comes at a cost of approximately £17 per hour (meaning that two hours of care a day could cost around £12,500 per year).

However, you may be entitled to support from your local authority to help you with these costs.

#### GOVERNMENT SUPPORT FOR CARE FEES

Government funding for care varies across the UK. The amount you receive will depend on the capital you have, but the capital limits are different depending on where you live. Your capital will be assessed by your local authority, who will take into account:

- Property (although this will be disregarded under certain circumstances)
- Money held in bank accounts or building societies
- Investments
- Premium bonds
- Cash

Any benefits you're eligible for (even if you're not claiming them).

#### ENGLAND AND NORTHERN IRELAND

If you live in England or Northern Ireland, the funding you are entitled to is governed by the following capital limits:

**If you have less than £14,250:** you will be eligible for funding from your local authority to cover the cost of your care. You won't be expected to make contributions from your capital, but you will need to contribute from your income (e.g. a State or private pension). Income contributions should not take your income

below the weekly Personal Expenses Allowance of £24.90 per week in England and £27.19 in Northern Ireland.

If you have between £14,250 and £23,250: you will be expected to make a means-tested contribution of £1 per week for every £250 of capital you have over the lower threshold (for example, if you have £20,000 you will have to pay an extra £23 per week). This is known as 'tariff income'.

**If you have more than £23,250:** you will not be eligible for local authority funding and will have to pay the full cost of your care.

You may be entitled to NHS-funded nursing care where the NHS pays a flat rate directly to the care home towards the cost of nursing care. In England, the standard rate is £183.92 per week and in Northern Ireland the rate is £100 per week.

However, personal home care in Northern Ireland is free if you have been assessed as needing it, irrespective of your financial circumstances.

#### SCOTLAND

The capital limits for residential care are higher in Scotland, as outlined here:

**If you have less than £18,000:** you will receive assistance to cover the cost of your care. You won't have to contribute from your capital, but you'll be expected to make contributions from your income, apart from the Personal Expenses Allowance of £28.75.

**If you have between £18,000 and £28,500:** you'll be required to make a £1 'tariff income' contribution for every £250 of capital you have above the lower threshold (for example, if you have £23,500 this will equate to a £22 contribution per week).

**If you have more than £28,500:** you will not be eligible for local authority funding and will have to pay the full cost of your care.

However, if you are aged over 65 and require residential care in a care home, you may also be eligible for the following NHS-funded nursing care to help cover the cost of your care. Per week they are:

- £180 for personal care
- £81 for nursing care

Like Northern Ireland, personal home care is free in Scotland if you have been assessed as needing it, irrespective of how much capital you have.

## WALES

In Wales, the capital limit varies depending on whether you're paying for non-residential or residential care.

Non-residential care: if you have less than £24,000, you won't be expected to use this to pay for your care. If you have assets over this limit, your local authority can charge you in full for the cost of your care up to the maximum weekly charge of £100.

Residential care: if you're going into permanent residential care, the capital limit increases to £50,000. As you are leaving your property, this may well be included in your means-tested assessment unless certain criteria are met.

If you are entitled to NHS-funded nursing care, the rate in Wales is £179.97.

## NHS CONTINUING HEALTHCARE

Some people with long-term complex health needs qualify for free social care arranged and funded solely by the NHS. This is known as NHS continuing healthcare and can be provided in a variety of settings outside hospital, such as your own home or in a care home.

## YOUR PROPERTY AND FUNDING YOUR CARE

Your property may be included as capital in your local authority's assessment, but

not necessarily. For those receiving home care, the value of your home will not be counted. If you require residential care, your home will be discounted from the means test if:

- Your spouse or civil partner lives in the property
- A disabled relative lives in the property
- A relative over 60 lives in the property
- A child under 16 lives in the property
- Your care needs are temporary
- You are in your first 12 weeks of needing permanent care

If you do need to sell your property, this 12-week deferment gives you time to find a buyer for your property and complete the transaction before you have to start paying fees. During this period, your local authority should assist with your care fees.

## GIFTING YOUR PROPERTY

If you are thinking of giving your home away, for example to your child or another relative, it may still be counted in the means test. This is because your local authority may count it as '*deprivation of assets*' – i.e. they may decide you have deliberately gifted your property for the sole purpose of discounting it from their assessment. As a result, you may then have to pay for your care as though you still owned your home.

## PROPOSED CHANGES TO THE CARE SYSTEM

The Care Act 2014 was intended to pave the way for a cap on care costs for residents in England and Northern Ireland, limiting them to £72,000. Originally due to take effect in 2016, this was later postponed to 2020. However, in December 2017, the government announced that plans to implement the cap in 2020 had also been scrapped.

A heavily-delayed government green paper on social care was originally intended to be published in summer 2018, but following multiple deferments, Health Secretary Matt Hancock indicated it would be scrapped in favour of finding a solution, as opposed to further discussion. With the coronavirus pandemic taking a heavy toll on Britain's social care system, this is sure to remain a much-discussed topic.

<sup>1</sup>ONS, 2018

<sup>2</sup>Money Advice Service, 2020

*According to the Money Advice Service, the average yearly cost of a full-time place in a residential care home is between £30,000 – 40,000 per year. This can rise to £50,000 for full-time care at home, so it may make financial sense to move into a care home.*



## WE'RE HERE TO HELP

If you have any questions about the content of this guide, we're only a phone call away. Get in touch to discuss the best options for your personal circumstances.

# ➤ Top tips

## MAKE SURE YOU TAKE THE TIME TO DISCUSS YOUR PLANS WITH YOUR FAMILY

Long-term care is an expensive necessity, especially if you are paying the entire cost yourself. Paying for care fees can have an impact on the inheritance you're able to leave behind for your family, particularly if your property is included as capital in your means-tested assessment.

## ARRANGE A LASTING POWER OF ATTORNEY (LPA)

Putting in place a power of attorney can give you peace of mind that someone you trust is in charge of your affairs. There are two types of LPA; a personal welfare LPA and a property and financial affairs LPA.

## CHECK YOUR ELIGIBILITY FOR NHS FUNDING

As well as local authority funding, you may be able to get free NHS continuing healthcare (CHC) if you have a disability or complex medical problem. If you have medical needs that you believe may qualify for this support, you should get an assessment to find out if you're eligible.

## LOOK INTO CLAIMING ANY BENEFITS YOU MAY BE ENTITLED TO

There are certain non-means-tested benefits that you may be able to apply for to help you fund your care. Attendance Allowance, which helps to pay the extra costs of having somebody to look after you if you are disabled, as well as the Personal Independence Payment (PIP), could both help you with care costs if your health needs are great enough.



## GET TO KNOW THE AVAILABLE OPTIONS

If you are self-funding your care, it's important to understand all the options available to you so you can make an informed decision. Taking funds from savings and investments could be an option, as is downsizing or equity release, although these latter options would not be possible if you need to move out of your home and into care. Another option could be entering into a 'deferred payment agreement' with your local authority, whereby they will lend you the money you need, which you can delay repaying until you decide to sell your property, or until you die.

## CHECK YOUR INSURANCE POLICIES

Before rushing into making arrangements for funding your care, you should check whether you may be able to claim on an existing insurance policy, for example critical or terminal illness cover or a long-term care policy (these are no longer available but you may have taken one out in the past).

## MAKE SURE YOU UNDERSTAND THE COSTS INVOLVED

We have provided a very rough estimate in this guide, but there are huge regional differences in care costs and the type of care you require will have an impact on what you will ultimately have to pay. Understanding what your care might cost where you live will help you to more effectively plan for your future.

## START PLANNING AS EARLY AS POSSIBLE

Nobody likes to think about the possibility of requiring long-term care in later life, but putting money aside just in case is a sensible option. We can work with you to put together a robust plan for funding your future, including potential care needs, so that you can rest assured that yourself and your family will be protected.

## Warning statement

**It is important to take professional advice before making any decision relating to your personal finances. Information within this document is based on our current understanding and can be subject to change without notice and the accuracy and completeness of the information cannot be guaranteed. It does not provide individual tailored investment advice and is for guidance only. Some rules may vary in different parts of the UK. We cannot assume legal liability for any errors or omissions it might contain. Levels and bases of, and reliefs from, taxation are those currently applying or proposed and are subject to change; their value depends on the individual circumstances of the investor. No part of this document may be reproduced in any manner without prior permission.**