

GUIDE TO CARE FEES PLANNING

Financing the Cost of Care



ALMARY GREEN INVESTMENTS LTD

Greenfields House, 10 Meridian Way,
Meridian Business Park,
Norwich, NR7 0TA

T: 01603 706741

F: 01603 437136

E: enquiries@almarygreen.com

W: www.almarygreen.com

Introduction

The last century has seen huge improvements in healthcare and as a result we can generally expect to live longer than our grandparents did. However, later life can bring its challenges and more of us than ever before will, at some stage, find ourselves in need of assistance with our daily living activities.

Care, whether in our own home or in a care home, can be hugely expensive and the degree to which the state will support this is strictly limited. Funding the care provision of our choice for as long as is needed requires careful planning.

This guide will help families understand what funding they can claim from the state and will explore what Almary Green can do to offer support at the moment that care is needed, as well as helping to plan for potential future care costs.



About Almary Green

Almary Green is a firm of independent financial advisers, fully authorised and regulated by the Financial Services Authority. We have advisers based in Norfolk, Suffolk and Cambridgeshire, supporting both businesses and individuals throughout East Anglia and beyond. We now have twenty five members of staff, including thirteen advisers. We're proud to employ more Chartered Financial Planners than most other firms in the region.

The prestigious Citywire 'New Model Adviser of the Year' awards honour one firm in each of the eight regions around the country for their excellence. We are pleased to have been East of England regional finalists for this award in 2007, 2008, 2009 and 2010.

Our Approach to Business

Almary Green is committed to providing truly independent financial advice. Our independence means that we have access to the whole of the marketplace, which we believe is the only route to best advice. Our allegiance is to our clients not a product provider. As such, we only ever act in the best interest of our clients.

Our Advisers

Like our clients, we demand the highest standards. Our advisers in the Care Fees Planning market — Heather Sonnet, Hayley Tink and Russell Hall — are all Chartered Financial Planners and as such are amongst the most technically qualified in the industry. They also have in excess of 39 years of advisory experience between them.

The Main Issues

The cost of care can vary enormously depending on where you live in the UK and the type of accommodation and care you require. Choosing the right care option for you can be a hugely emotional and difficult decision for the family to take. Getting good information about the benefits and options available to the family is essential.

Types of Care (see page 2)

One of the first questions to be answered is what type of care will be needed. Will nursing care be involved, and how much assistance with daily living will be required?

State Help with Fees (see pages 2/3)

Funding care has become something of a political hot potato and many people may expect the state to help fund their long term care. However, the reality is somewhat different: Local Authorities impose a stringent means test before granting assistance with fees and individuals with anything other than very modest assets or savings may well see their estate significantly eroded by care costs.

Private Funding Solutions (see pages 4)

Having the financial means pay for care yourself gives the widest choice and ensures it continues as long as is needed. We will strive to help you achieve this.

Protecting Family Assets (see page 5)

In the past, families have sought to protect their inherited wealth from care costs by giving away assets before care is needed. However, this not only reduces the choices available to the person requiring care, but also opens the family to the charge of deliberate asset deprivation.

Types of Care



Nursing Versus Personal Care

An essential first question in the choice of care home is whether or not you need the assistance of medical professionals.

The nursing element of any care home package will attract funding from the NHS regardless of the individual's assets, as a Registered Nursing Care Contribution. However the remaining element, personal care, must be funded either by the individual or by the Local Authority.

The Registered Nursing Care Contribution is only available to individuals in care homes who need care from a registered nurse. Importantly, this benefit (£108.70 per week for 2010/11) is not available when care is provided at home (see below).

We would urge you to consult your GP before making decisions about where you would like to receive care and beginning the process of looking for a care home.

Any personal care element of the care package you adopt will need to either be privately funded, or will require you to be subjected to both needs and means testing by the Local Authority.

Domiciliary Care

Needing care will not necessarily entail a move into a care home. There are a wide range of care services available to you if you prefer to remain in your own home. These can involve assistive devices such as stairlifts or walking frames, as well as help with everyday living tasks such as bathing and shopping. As mentioned above, the Registered Nursing Care Contribution is not available for care in the home but any nursing care needed will be provided by the district nurse and will therefore be provided free of charge by the NHS.

The Facts:

- *Over 4% of the UK's population in 2010 is aged over 80.[#]*
- *In 2010, a 65 year old stands a 50% chance of living to at least 85 and a 30% chance of reaching 90.*
- *By 2033 the number of people aged 85 and over is projected to be around 3.2 million.*
- *One in four of us will need some form of long term care.[#]*

Data from Society of Later Life Advisers 2010 (www.societyoflaterlifeadvisers.co.uk)

State Help with Fees

There are three kinds of financial support available from the state if you are in need of care: state benefits, support for NHS care and local authority funded care.

State Benefits

The main benefit available is the **Attendance Allowance**. The amount of benefit paid varies according to the level of disability; the higher rate of £71.40 per week (2010/11) is payable when care is needed both during the day and at night, and the lower rate of £47.80 per week (2010/11) is payable when care is needed either for during the day or during the night (not both). It is available if you are aged 65 and over who have physical and/or mental disability that prevents you from successfully caring for yourself. However, Attendance Allowance is not payable if your care is funded by the State. If a relative or companion is providing care for more than 35 hours per week, he or she may qualify for a **Carer's Allowance**.

Other state benefits that may be payable include the **Disability Living Allowance**, which is paid to individuals under the age of 65 who have qualifying levels of disability. This benefit is made up of two components: the Care Component helps with the cost of the help needed for you to care for yourself and the Mobility Component helps with the cost of your mobility needs, if applicable.

These benefits are available whatever your financial circumstances, and your income or savings will not have any impact on your entitlement.

NHS Care

As detailed above, if nursing care is needed, a contribution is made towards the cost of the nursing element. **NHS Continuing Care** funding may be available for certain cases where the local Primary Care Trust determines that their care should be completely funded by the local authority.

The amount of benefit you may receive in respect of NHS care is based on need rather than means, and eligibility is not affected by income or savings.

Local Authority Funded Care

In the event that you need care, the Local Authority will assess your situation on two fronts:

- **Care Needs Assessment:** the local authority will take advice from health professionals to determine the type and level of care needed and its associated costs.
- **Means Assessment:** your capital and income will be assessed to establish what contribution, if any, the local authority will make towards the cost of care. The means test will take into account any bank or building society accounts, other savings and investments and, in some cases, the value of your home. Income from all sources, including state pensions and benefits, will also be taken into account. **Depending on where you live, if you have capital in excess of the thresholds detailed below or have sufficient income, you must fund the cost of care yourself.**

The thresholds as at April 2010 stand at:

	Upper Threshold	Lower Threshold
• England and Northern Ireland	£23,250	£14,250
• Scotland	£22,750	£14,000
• Wales	£22,000	£22,000

Once your capital reduces below the upper thresholds, you will be required to make a contribution to your care costs at a rate of £1 for each £250 of capital you have in excess of the lower thresholds. Once your capital reduces below the lower thresholds, then all your care costs will be met, provided they fall within the Local Authority's funding limits.

An important point to note is that the funding available will not always cover the cost of your chosen care home. It will be based on the cost of places available to Local Authority funded residents in the your local area.

Once your need for care has been assessed, you are entitled to choose where you buy your care. In making that decision, you should consider both private and local authority care providers and work out just how much you are going to need to spend.

If eligible for state help, you will receive the funding wherever your chosen home is located, but if you select a home which has better facilities or is in a better location, you or your family will need to meet the shortfall in the cost of the preferred care home. This can prove a serious drain on a family's finances.

We strongly recommend that you get advice from your Independent Financial Adviser before you commit to any long-term expenditure to finance your care.



The Costs:

- The average cost of a residential home in the UK in 2009 was **£467** per week.
- If nursing care was needed, the average cost in 2009 rose to **£678** per week.
- The average cost of domiciliary care was **£14** per hour.
- 39% of those living in care homes or long stay hospitals in 2009 were paying privately for their care.



Private Funding Solutions

Immediate Care Plans

A range of products exists specifically to provide for care needs (at the point of need) by means of an immediate needs annuity. They are aimed at those either in need of care, or already receiving care, either in a care home or in their own home.

These special annuities are purchased using a lump sum payment and provide a guaranteed tax-free income to pay for care fees. Fees are generally paid direct to the care provider, and are designed as a top-up to existing retirement arrangements to meet the shortfall between existing pension and/or investment income and the cost of providing care. As with all annuities, they require a substantial capital payment at the outset, but provide a life-long income that will not risk exhausting capital reserves. The benefits available can be considerably higher than those provided by standard annuities as these plans are medically underwritten at the outset.

Property Assets

There are occasions when the sale of the family home is the most practical and beneficial method of raising the funds necessary to pay for care fees. Indeed, it may be necessary to do so if no other funding is available (although Local Authorities will not force a sale while a spouse or certain other dependants are still living there).

As an alternative to selling, there are a range of other lifetime mortgage and equity release products on the market that might prove useful in specific circumstances. Our team includes equity release specialists who will ensure that you and your family thoroughly understand the detail of any arrangement under consideration, and we will only recommend providers who follow the SHIP (Safe Home Income Plans) code of practice.

Any mortgage or equity release arrangement will, of course, have a significant impact on the estate you will be able to leave your heirs, and it is critical that any such arrangement provides not only for the cost of care, but also any repayment or rental fees involved.



If care is needed, it doesn't always mean your home will have to be sold

Joint Assets

If you hold capital jointly with another person or people, your share will generally be deemed to be an equal portion of the capital, divided between the joint owners.

It may be worth reviewing the way you hold any joint investments including bank or building society accounts.

Your home may not be assessed as a joint asset if it is occupied in whole or in part as their home by:

- Your Partner, or
- Another family member who is aged 60 or over or is incapacitated, or
- Your Child under 18

Protecting Family Assets

Gifting Away Assets

Historically, some families faced with care fees have adopted a strategy of reducing the total value of an individual's assets by making substantial gifts to family members. However, this is no longer an option: if the Local Authority judges avoiding care fees to have been a significant motive for the transferral of the assets in question, they will view this as **deliberate asset deprivation**, and will include the assets in their means test calculations. The result of this can be that the individual on the one hand no longer has the means to fund the cost of care, having gifted away their assets, and on the other is refused Local Authority help.

Even if assets are proven to have been relinquished for reasons other than to reduce care fees, the person requiring care may well find that his or her choices in terms of location and standard of care home are limited by the funding that is made available.

Estate Planning

There are, nonetheless, good reasons for adopting certain estate planning measures to secure an individual's wealth for his or her beneficiaries. Measures that mitigate liability to Inheritance Tax may at the same time limit the erosion of an estate by care fees. Such measures might include the early gifting of assets to beneficiaries, or the setting up of Trusts. However, it should be remembered that any measure that removes assets from the individual's estate may also reduce the choices available if and when care becomes necessary.

The Almary Green Later Life Team

If the need for care for yourself or for a family member is likely or imminent, our Later Life experts will talk you through the options available to ensure that you retain as wide a range of choices as possible in respect of the type and location of the care you receive.

What we can bring is peace of mind—you can be confident that you will have the right product at the right rate, available at the right time.

Our specialist advisers have achieved the prestigious SOLLA (Society of Later Life Advisers) accreditation. SOLLA is a not-for-profit organisation that aims "to assist consumers and their families in finding trusted accredited financial advisers who understand financial needs in Later Life" and provides a Code of Practice to which accredited advisers adhere (see www.societyoflaterlifeadvisers.co.uk).

For advice and support in setting up funding for care, contact us by calling 01603 706740 or email one of our Later Life experts below.

Almary Green's Later Life Experts



Heather Sonnet
Chartered Financial Planner
APFS CFP^{CM}
heather.sonnet@almargreen.com



Hayley Tink
Chartered Financial Planner
FPFS BA (Hons)
hayley.tink@almargreen.com



Russell Hall
Chartered Financial Planner
FCII FPFS
russell.hall@almargreen.com

DIVIDENDS
GROUP PENSIONS
 TRUSTEE INVESTMENTS CHILDREN'S BONUS BONDS
 STAKEHOLDER PENSIONS COMMERCIAL BORROWING
 VENTURE CAPITAL TRUSTS LIFE ASSURANCE
 LONG TERM CARE HOME REVERSION PENSIONS
 COMMERCIAL PROPERTY EXIT STRATEGIES
 FOREIGN SAVINGS NATIONAL SAVINGS AUTOMATIC ENROLMENT
INVESTMENTS RETIREMENT PLANNING
 ESTATE PLANNING BUY TO LET
 CHILD TRUST FUNDS INCOME PROTECTION BANK ACCOUNTS PREMIUM BONDS
 PERSONAL ACCOUNTS TAX ALLOWANCES GILTS
EMPLOYEE BENEFITS ENTERPRISE INVESTMENT SCHEMES
 OVERSEAS SECURITIES SALARY EXCHANGE
 INVESTMENT TRUSTS KEY PERSON INSURANCE **TAX PLANNING**
 PARTNERSHIP PROTECTION BUILDING SOCIETY ACCOUNTS GIFTS
 DIRECTORS PAY AND PENSIONS PENSIONS AND DIVORCE
 FUNDING FOR EDUCATION HEALTHCARE
 SUCCESSION PLANNING MORTGAGES OVERSEAS MORTGAGES
 SHARES EQUITY RELEASE SELF-INVESTED PENSIONS
 CGT DISCRETIONARY FUND MANAGEMENT
 OEICS ISAS **INHERITANCE TAX SAVINGS**
 MERGERS AND ACQUISITIONS SMALL SELF ADMINISTERED SCHEMES



Get the specialist advice you need from our Later Life experts

Almary Green Independent Financial Advisers

Based in Norwich's newest premier professional district, Meridian Business Park, Almary Green Investments Ltd provides independent financial advice and support to businesses and individuals throughout East Anglia and beyond. Their advisers have a collective depth of experience extending over many years and they are specialists in advising both individuals and businesses on how to prepare for a prosperous future.



> Independent Financial Advisers

