

OPTIONS: Selling the family home can be the most practical way of raising funds to pay for care fees, but there are alternatives

Photo: CONTRIBUTED



Careful planning needed for challenges of later life

In the second of his articles on care fees planning independent financial adviser JIM BARR looks at further options for funding

LATER life can bring its challenges and more of us than ever will, at some stage, find ourselves in need of assistance with our daily living activities.

Almary Green Investments has recently published a free, detailed guide to help families understand what funding they can claim from the state and what the company can do to offer support at the moment that care is needed, as well as helping to plan for potential future care costs.

Last month, I looked at support from the state and the NHS. There are also, of course, local authority funded care and private funding solutions.

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 upper and lower thresholds for people in England stand at £23,250 and £14,250, figures which have recently been frozen by the Government for the next two years.

Once your capital reduces below the upper threshold, 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 threshold. Once your capital

reduces below the lower threshold, then all of your care costs will be met.

In terms of private funding, a range of products exist 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.

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. As an alternative to selling, there is

a range of other lifetime mortgage and equity release products on the market that might prove useful in specific circumstances.

I will look more closely at these products in my next column. In the meantime, please contact me using the details below for a copy of Almary Green's care fees planning guide.

■ Independent Financial Adviser Jim Barr is based at the Ipswich office of Almary Green Investments and has over 35 years' experience of working in the financial services sector. He looks after the financial requirements of a mix of individual and corporate clients on a wide range of protection, pension and investment needs. To contact Jim Barr, call Almary Green on 01473 257973 or 01603 706740 or visit www.almarygreen.com.



LOVEWELL BLAKE

Look to equity income funds

JOHN MEE
director
Lovewell
Blake
Financial
Planning Ltd



WITH interest rates on savings well below

inflation, what can investors do to generate more income? Not for the first time in this column and in various presentations I give to investors – many of them pensioners – there is a strong case for considering equity income funds as a core holding for your portfolio.

The company shares held within such funds tend to be among the most profitable, cash-generative, resilient businesses in the UK. Crucially they look to pay attractive dividends to investors, and a number regularly provide dividends equivalent to 5%- 6 % interest. Reassuringly too, many earn income from around the world.

Last year was a fascinating one for UK dividends. The total paid fell from £58.4 billion to around £56.5 billion. However, the figures alone do not tell the whole story. As widely reported across the media, BP suspended its dividend payments in 2010 following the Deepwater Horizon accident.

In 2009 BP accounted for over 10% of all dividends paid in the UK. The significant point is that if you strip out BP from those figures, the dividend payout actually rose by around 7.5% in 2010. BP's expected return to the dividend roster this year should mean the total dividends paid in 2011 are about 10% higher than last year.

Despite our economic position with gross domestic product revealing a shock contraction in the UK economy in the final quarter of 2010, companies are largely in quite good form. In contrast to the government and many individuals, companies have been repaying debt over the last few years and understandably getting their balance sheets into good shape.

BP's mishap last year detracted from what would have otherwise been a very good year for income payouts. A resumption of its dividend this year is obviously good news and should serve to remind investors of the benefits of equity income funds.

Remember, equity income funds have provided rising income together with rising capital values for decades and with income averaging around 4.5% per annum, these funds have insulated many pensioners from the dwindling returns from cash deposits! They have also been excellent core holdings in many portfolios.

Taking Care of Your Future Finances

Advisers in Ipswich, Bury St Edmunds, Newmarket, Norwich and Cambridge

Head Office: Greenfields House, 10 Meridian Way, Norwich, NR7 0TA

Contact us: 01603 706740 | enquiries@almarygreen.com | www.almarygreen.com

Almary Green

> Independent Financial Advisers

Contact us for a free initial consultation

01502 532290 - 07770 387587

89 Bridge Road | Oulton Broad | Lowestoft | Suffolk | NR32 3LN

Lovewell Blake
FINANCIAL PLANNING LIMITED