hall financial planning llp

London
PO Box 314, Welling
Kent, DA7 9GD

Cotswolds
Rose Villa, Church Lane
Bledington, Oxon OX7 6XB

0845 195 0195
enquiries@hallfp.co.uk

Long-term care funding

If you've got elderly parents could you pay for all or part of their care costs?

The funding of long-term care remains one of the biggest public policy challenges facing the government. As the baby-boomer generation grows older, it is estimated that spending on social care needs to double in real terms over the next twenty years just to keep pace with the growing size of the ageing population.

Fairer Care Funding

In July 2010, the Commission on Funding of Care and Support was set up by the coalition to review the funding system of care and support in England. Chaired by Andrew Dilnot, it presented its findings to the government in its report 'Fairer Care Funding', published on 4 July 2011.

Among the recommendations in the report are:

- Individuals' lifetime contributions towards their social care costs – which are currently potentially unlimited – should be capped. After the cap is reached, individuals would be eligible for full state support for care costs. This cap should be between £25,000 and £50,000. We consider that £35,000 is the most appropriate and fair figure.
- The means-tested threshold, above which people are liable for their full care costs, should be increased from £23,250 to £100,000.
- National eligibility criteria and portable assessments should be introduced to ensure greater consistency.
- All those who enter adulthood with a care and support need should be eligible for free state support immediately rather than being subjected to a means test.

Care when you're older

We may not like to think about it, but a growing number of us will need long-term care when we're older. If you've got elderly parents you may need to pay all or part of their care costs. The time when an elderly person needs to go into residential care is often a huge strain on family members. Illness or infirmity may have forced a sudden change in circumstances and time may be short.

Long-term care is care you need for the foreseeable future, maybe as a result of an illness or old age. As you get older, you might develop health problems that could make it difficult to cope with everyday tasks. So you may require help to stay in your own home or have to move into a care home.

London
PO Box 314, Welling
Kent, DA7 9GD

Cotswolds
Rose Villa, Church Lane
Bledington, Oxon OX7 6XB

0845 195 0195
enquiries@hallfp.co.uk

Better support

Many elderly may be faced with the decision of having to sell their homes to pay for care and in many cases it may even come down to where they live, a postcode, with some elderly receiving better support from their local council than others.

Under the Community Care Act 1990, local councils have the right, by law, to force the sale of a family home to pay for care costs or to take a charge against a property to be repaid on the eventual sale of the home. This could result in very little being left for the surviving family.

Increasing frailty

More often than not, it is the elderly who require care over the longer term and it is typically occasioned by either increasing frailty due to ageing or the chronic aftermath of acute conditions, such as a stroke or a fall. Long-term care provision may be required if you become ill or suffer a disability that makes you unable to carry out your usual activities of daily living, with the probability that this disability will continue over a long period.

Long-term care may also be required if a person is mentally impaired. The most common form of impairment for elderly people is dementia, and a common form of dementia is Alzheimer's disease. A person suffering from dementia will need personal supervision and assistance to carry out their normal daily activities.

The state may provide some help towards the costs of this care, depending on your circumstances. There are other ways to help you cover the cost of care, including using savings and investments.

Forms of care

The care required can take many forms, from simple domestic assistance to medical interventions, and may be provided in a care home or in the person's own home. Many people would have hoped the National Health Service (NHS) would look after them. But the NHS no longer covers all the costs associated with the care of incurable conditions in old age. Instead you may be forced to buy 'insurance' to pay out if nursing or residential care at a later stage is needed.

Since the Community Care Act, which was passed in 1990 and took effect in 1993, that task has been transferred to local councils. The NHS will only provide and/or pay for the Nursing Care Service Component of a person's long-term care service needs. All other costs and services associated with long-term care are the care recipient's responsibility unless they qualify for local authority assistance. Although in Scotland from July 2002 Free Personal Care has been available.

Paying for your care

Anyone currently with assets of more than £23,250 for the financial year 2011/12 (in England) will be expected to pay for their care needs. In most cases, the value of any property owned will be included within this sum.

However, there are certain circumstances in which the home is excluded. And those with the foresight to plan in advance may want to make sure they can take advantage of this, particularly if their remaining assets are less than the £23,250 limit.

hall financial planning llp

London
PO Box 314, Welling
Kent, DA7 9GD

Cotswolds
Rose Villa, Church Lane
Bledington, Oxon OX7 6XB

0845 195 0195
enquiries@hallfp.co.uk

Reducing future care costs

A property will automatically be ignored if a surviving spouse or partner lives there. This rule extends to other relatives aged 60 or over who live in the property. So if a daughter, niece or brother has moved in as a carer, this could help reduce future care costs. More importantly, many couples don't realise that they may be able to take the home out of the care equation altogether by altering the way in which it is owned.

Most couples buying a property do so as 'joint tenants'. This ensures that on the death of either party their share is automatically transferred to the other. If this is done, and half the home is passed on to the children on the death of the first spouse or placed into a trust on their behalf, then it is possible that the whole home may be disregarded at a later stage if the surviving spouse needs nursing care.

Means testing assessment

However, you need to understand the powers that local authorities have to include in the means testing assessment assets that they consider have been subject to 'deliberate deprivation'. This occurs when a resident transfers an asset out of their possession in order to achieve a better position that enables them to obtain assistance.

The home should be disregarded if the care needs are classed as 'temporary'. If the value of your assets, excluding your property, is less than £23,250, you should not have to pay for care for the first 12 weeks. Even if your assets are more than this initially but are then used up paying care home fees, you should be able to apply for this 12-week disregard once they drop below the £23,250 limit.

Giving your home to your children

It is important not to fall into the trap of simply giving your home away to your children. The local authority has the right to obtain assets that have been deliberately disposed of to avoid paying fees. However, the 'tenants-in-common' ownership does not fall under these rules because the gift is made only on death.

If your care needs are overwhelmingly medical and are deemed 'complex and unstable', you may qualify for NHS-funded 'Continuing Care', which means all bills are met in full, including residential costs. However, the strict eligibility criteria mean that few people qualify, and even those who do are reassessed regularly.

Local authority control

If their condition stabilises, their care costs will revert to local authority control, which means patients will be assessed for their ability to pay. But if a relative's condition worsens, you can ask for them to be reassessed for continuing care. If you feel that a relative has been wrongly assessed, you can also appeal to your local social services.

Even those who have to pay their own care costs should ensure they receive the correct benefits. The main one is Attendance Allowance. It is not means-tested and pays a weekly tax-free amount, depending on your level of need. If you are receiving care in a nursing home, you should also be eligible for the Registered Nursing Care Contribution, paid in England. This is paid direct to the home and offsets the cost of your care.

hall financial planning llp

London
PO Box 314, Welling
Kent, DA7 9GD

Cotswolds
Rose Villa, Church Lane
Bledington, Oxon OX7 6XB

0845 195 0195
enquiries@hallfp.co.uk

In Scotland, those who need nursing care will also be paid a contribution towards personal care costs. However, they do not claim Attendance Allowance as well. Many in Scotland still have to contribute substantial sums towards long-term care costs.

A variety of options to consider

Many families may still have to pay the majority of the care costs. There are a variety of options to consider, and professional advice should always be taken to evaluate which best suits your circumstances. The main options are:

A deferred option scheme - if your other assets are below the means test limit, you can ask the local authority to pay care costs and they will place a charge on your property to be paid on your death. This potentially allows your estate to benefit from future property price rises, although in the current climate this may not be so relevant.

A care fees annuity - from the proceeds of the sale of the home, you can buy an annuity to provide a guaranteed income. This means that the price of care is capped and protects the remaining capital. But for the relatives of those who die shortly after going into care, it could prove a more costly option.

Investment options - many people choose to sell the home and invest the proceeds, using the income generated to help pay care fees. Alternatively, the property may be rented, with the rental income going towards care. But this means that the family has to maintain and manage the property.

Trusts

You and your spouse or civil partner should each make a provision in your wills ensuring that, upon the first death, the deceased's half of the property is placed in trust for your children or other beneficiaries instead of passing directly to the survivor.

A trust keeps any designated property owned by the deceased away from the council's reach. At the same time it allows the surviving spouse or civil partner to continue benefiting from the assets, which may include the family home. On the death of the remaining member of the couple, the assets owned by the trust, together with whatever is left of the assets of the second spouse or civil partner, can be given to the surviving family.

Fully protected

The majority of people own their homes jointly, which means that, on first death, the survivor would then own 100 per cent of the full property value. By changing the way you own your home to what is known as 'tenants-in-common', combined with the appropriate trust planning, this could effectively ensure that your property is fully protected should either of you enter into care. In addition, by changing the way your assets are invested and held, this could ensure that your cash or liquid assets are fully protected from future long-term care costs.

A gift-and-loan trust can be used to fund long-term care, with the added benefit of reducing Inheritance Tax on your estate. You place a small amount, such as £1,000, in trust and then lend a large sum, such as £100,000, to the trustees.

You may not benefit from the trust by law but you can have the loan repaid, typically at 5 per cent annually, which can then be used to pay for care fees. The trustees can invest the capital, and the aim is that it grows in value outside of your estate.

hall financial planning llp

London
PO Box 314, Welling
Kent, DA7 9GD

Cotswolds
Rose Villa, Church Lane
Bledington, Oxon OX7 6XB

0845 195 0195
enquiries@hallfp.co.uk

Equity release

Even with recent falls in property prices, many elderly people may have significant equity in their homes. Equity-release schemes are loans against the value of their home, with interest deferred until the property is sold, normally on death.

Most lifetime mortgage schemes allow you to borrow between 20 per cent and 45 per cent of the property's value. Unlike selling the property to raise funds for care-home fees, you will still benefit if the housing market gains value and you can also keep your house.

AS PART OF OUR SERVICE WE ALSO TAKE THE TIME TO UNDERSTAND OUR CLIENT'S UNIQUE NEEDS AND CIRCUMSTANCES, SO THAT WE CAN PROVIDE THEM WITH THE MOST SUITABLE PROTECTION SOLUTIONS IN THE MOST COST-EFFECTIVE WAY. IF YOU WOULD LIKE TO DISCUSS THE RANGE OF PROTECTION SERVICES WE OFFER, PLEASE CONTACT US FOR FURTHER INFORMATION.

This is for your general information and use only and is not intended to address your particular requirements. It should not be relied upon in it's entirety and shall not be deemed to be, or constitute, advice. Although endeavours have been made to provide accurate and timely information, Goldmine Media cannot guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No individual or company should act upon such information without receiving appropriate professional advice after a thorough examination of their particular situation. We cannot accept responsibility for any loss as a result of acts or omissions taken in respect of any articles. Thresholds, percentage rates and tax legislation may change in subsequent Finance Acts.