GUIDE TO LONG-TERM CARE

Increasing life expectancy ought to be a cause for celebration but, unfortunately, while many people are living longer, they are not necessarily doing so in good health. A retirement spent on cruise ships or golf courses is only the outcome for a lucky few as, on average, people can expect around a decade of poor health in retirement. As a result, long-term care is becoming an increasing and pressing need for many.

THE COST OF CARE

The costs of long-term care are significant and, for many years, have risen ahead of inflation. Although the Government is now taking steps to address the potentially ruinous costs of care, many people will still have to face funding a large proportion of these themselves.

The 2016/17 Laing & Buisson, Care of Elderly People Report showed average care home fees in the UK at around £32,000 per year.

However, this can vary significantly depending on where you live. Some care homes in the North West may charge as little as £27,000 while those in London and the South West can charge nearly £40,000.

Being cared for at home is also expensive, usually costing between £10 and £30 per hour, depending on the provider and when you need them (e.g. night times and weekends may be more expensive). The average hourly rate is around £15, so for three hours of care every day you could expect to pay just over £16,000 per year. As such, paying for care can quickly eat into a lifetime's worth of savings.

Nursing homes are generally more expensive (£43,000 per year on average) but like care homes their fees vary by region. The cheapest may be found in the North East (around £35,000 per year) while the most costly are in the South East (over £54,000 per year).

Complicating matters further, many people going into care are 'emergency' admissions, leaving individuals and their relatives little time to plan ahead. Equally, it is often difficult to know how long an individual will remain in care.

HELP FROM THE STATE

As a rule of thumb, if your assets total less than £23,250 in England (£30,000 in Wales) you should receive at least some funding for your care. Your Local Authority and/or financial adviser can tell you how much you're entitled to.

However, even if your means test finds that you must pay for your own care, you may still be able to claim some benefits regardless of your other assets.

BEING ASSESSED FOR CARE

The current system is for the local authority to assess every individual who requires care. This means determining the extent of the care they require and the best place for that care to be provided, regardless of income. The assessment involves a home visit and forms the basis for all financial discussions.

FINANCIAL ASSESSMENT

When assessing an individual's 'personal assets', the local authority will look at most conventional sources of capital and income. Capital might include bank or building society accounts, national savings and premium bonds, stocks and shares and property. An individual's home may be ignored, however, if a dependent spouse or other family member is still living there. Income would include any state, occupational and/or personal pensions. Certain assets are disregarded, including the value of certain life policies and annuities, plus some compensation payments held in trust.

You can receive Local Authority help by asking the council to provide care services directly to you, or you can opt to receive payments from them to help you fund care yourself. These 'direct payments' are means tested so may cover only part of the cost of your care.

OTHER GOVERNMENT ALLOWANCES

Other allowances that may be available to individuals to support their care needs are:

- Attendance allowance: This is a non-means tested benefit for pensioners who need help with basic tasks such as eating or washing.
- Personal expense allowance: This is a weekly personal expense allowance restricted to those individuals whose personal assets are below the threshold for state help.
- Registered nursing care contribution: This is paid directly to the nursing home and covers nursing care, rather than hotel costs. Care homes should be able to outline how it is accounted for in their fees.

WAYS TO HELP COVER THE COST

Care home costs often come suddenly and can be difficult to quantify over the long term, especially because it is not easy to predict how long an individual will spend in a home. While the average time is just two and a half years, around one-eighth of those people going into a care home live for a further eight years or more.

While the bill for the average person may therefore be some £60,000 to £80,000, expenditure could run into hundreds of thousands of pounds for others, potentially using up almost all of the capital built up over a lifetime. Once private funding is exhausted, individuals will be reliant on state funding, which may not be as generous and they could therefore be forced to take a drop in the quality of their care.

That sounds bleak but there are ways to manage care funding in order to lessen the financial burden for an individual and their family. A financial adviser will be able to help guide people to the best options for their needs.

INDIVIDUAL ASSETS

It is important to ensure all an individual's sources of income are used to maximum effect. This will include state, company and personal pensions, income from investments and other savings. It may be that investments can be redeployed to generate a higher level of income – for example, moving away from growth to income-generating equities. It may also be possible to let out all or part of the family home to prevent it being sold. An individual may also have family members who could contribute to their fees.

SPECIFIC PRODUCTS

'Immediate care plans' – also known as 'immediate needs annuities' – act like conventional annuities in that policyholders pay a one-off lump sum in return for an income stream for life. However,adapted to the needs of long-term care so, if the income is paid to a care provider, it will be free of tax. They may also have flexibility if an individual moves out of care for any reason.

For some people, it may also be appropriate to use schemes such as equity release to access some of the capital built up in their home.

Another option is to use any remaining pension pot that may be left to buy an enhanced annuity. An enhanced annuity takes into account any health conditions you may have, to give you a potentially higher income.

POWER OF ATTORNEY

Once individuals reach the point of entering a care home, they are often not in a position prudently to manage their own finances. A Power of Attorney allows someone to make decisions on an individual's behalf and it is worth ensuring this is in place well before it is likely to be needed. It is important to seek professional advice in this regard.

Equity Release - This is a lifetime mortgage. To understand the features & risks please ask for a personalised illustration.

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contact

We hope you found the information in this guide useful and informative. If any of the points are of interest or you would like to discuss your own situation in more detail, please get in touch.

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