



HOW ARE YOU PLANNING TO PAY FOR LONG-TERM CARE?

The funding of long-term care is becoming a major political issue, but for many families it is already a burning personal issue. It is estimated that more than 20,000 pensioners were forced to sell their homes to pay for care last year (Source: The Telegraph, November 2010) and that number could be on the increase given rising care costs.

Some people do get state help. Depending on your income you may get state help, although a person who owns his or her home is likely to fail the local authority means test and be deemed a "self-funder". In England, this threshold is £23,250 which has been frozen for the next two years (in Wales it is £22,000 and in Scotland £22,750) (Source: Department of Health, January 2011).

In most cases this includes the value of any property owned. However, there are circumstances in which the family home is ignored: if you have a spouse or relative aged 60 or over still living in the home it will not be included within the local authority's financial assessment. It should also be ignored if your care needs are classed as "temporary".

It is estimated that more than 20,000 pensioners were forced to sell their homes to pay for care last year

In addition, if your other assets, excluding the home, are less than £23,250, then you should not be charged for the first 12 weeks. Those in this situation can request that a legal charge is put on their home rather than selling it upfront.



You need to be aware that not all benefits are means-tested. For example, people who need nursing care (as opposed to "personal care") will receive a contribution towards these costs, regardless of their financial position. In England this is normally paid at £108 a week, with payments made direct to the nursing home. It is important to remember, however, that reliance on the state comes at the cost of choice of the care you receive.

For many people the self-funding route is going to be their only option. It is a worrying prospect as the cost of care can quickly add-up and eat into your savings.

On average someone who requires care in a residential care home may expect to pay in the region of £35,000 per annum, and for nursing homes this can cost more, a huge ongoing sum of money to find at any age, yet alone in their later years. Compare that, for example, with the average mortgage cost, which is small by comparison at just £7,860 per annum (Source: Saga, December 2008).

It doesn't take much to work out that you wouldn't have to be in a care home for too long before you or your family had spent hundreds of thousands of pounds on paying fees.

On average someone who requires care in a residential care home may expect to pay in the region of £35,000 per annum

In the past, pre-funded care insurance plans were an option – aimed at those who think they might need to go into care in the future. But as it stands not one UK insurer provides pre-funded insurance today with the last provider exiting the market in 2010, citing lack of demand.

Instead, perhaps the most popular option for paying for long-term care is an immediate care annuity, which pays a tax free fixed income for life, provided that it is paid directly to the care home provider.

This can provide some certainty for people moving into care, as they know their fees will be guaranteed to be paid for life; their money will not run out and they will not have to move into a local authority-run home later. There is also the reassurance that whatever is left from the sale of the home, once the annuity has been bought, can be left to the next generation.

The price depends on a person's age and health when going into care – the longer the insurer expects them to live, the larger the upfront cost. Most providers, however, allow you to buy "capital protection", which refunds part of the cost in such circumstances. You can also pay plans that protect against inflation via escalating benefits.

Many people fund this annuity when they sell their home. Of course, the downside is that if the person dies shortly after going into nursing care then you will have paid out

more for the annuity than the cost of fees. It can seem a little bit of a gamble, but an annuity does provide security in that you know fees are covered for life.

You could try to fund care fees out of regular income – if you have the means to do so. For starters, if you are going into care and have no dependants, then your own property could be rented out and the rent used to offset the fees.

Alternatively, with careful planning you could build an investment portfolio designed to pay an income without taking undue risk. You will need expert help because it is crucial that your capital is protected to a large degree. Again, just be aware that several years' fees could quickly add up, so the balance and diversification of assets will have to be just right.

We are all expected to live longer but while that is good news it is likely to mean that more people will need to consider care fees – not just for themselves, but also for their parents. It is an issue that many baby boomers are dealing with at this very moment – and it is an issue that is unlikely to disappear.



COMPLIMENTARY GUIDES

INHERITANCE TAX	WEALTH MANAGEMENT	RETIREMENT PLANNING
------------------------	--------------------------	----------------------------

Please call **01244 394203** to request your free guide.

MERCER AND ASSOCIATES
WEALTH MANAGEMENT LTD

Member of the St. James's Place Partnership

4 Chantry Court, Chester. CH1 4QN
Tel: **01244 394203**

Email: info@mercerandassociates.co.uk
www.mercerandassociates.co.uk