



Your guide to

FINANCIAL PLANNING FOR LATER LIFE CARE

*Helping you prepare for the associated costs
of later life for you and your family.*



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LATER LIFE CARE EXPLAINED

People are living longer than ever before and, as a result, there are even more considerations to make when planning for later life and funding the care that so many of us will require.



Costs of Care

Paying for care in later life can be a stressful and complicated process. How much it costs to get the care you require, will depend on your individual needs, financial circumstances and where you live in the UK.

Unfortunately, care costs can be very expensive, therefore navigating the system can be complex and stressful at times. There may be financial support available – from your local council, state benefits or the NHS, but if you have savings worth over £23,250 and you live in England, you are likely to have to pay for the majority of your care fees yourself.

This guide is designed to help you with the basics of care fee planning, and to point you in the right direction if you need additional help and support.

Throughout this guide we hope to provide an insight into some of the costs involved and how you can plan ahead to help you and your family in later life.

Types of Care

There are a variety of types of care, some of which you may have heard of before:

- Professional care at home (or domiciliary care)
- Respite care
- Residential care home
- Nursing home

Depending on the needs of the individual, there may be a requirement for one or more types of care, and the costs can differ greatly between these.

Did you know...

The average annual cost of a care home for an older person in the UK is £34,944. (2019-20)

Source: Paying for Care in Later Life, Which?, 2021

NHS CONTINUING HEALTHCARE

If you or a family member need care, it is important to consider all of the available options to help you pay for this. The first point of call should be the NHS Continuing Healthcare (CHC) assessment.



Those with long-term, complex health needs qualify for free social care which is arranged and funded by the NHS. This is known as NHS Continuing Healthcare (CHC).

When applying for NHS CHC, an individual's needs are assessed by a team of healthcare professionals who will look at:

- The emotional and social side of your life.
- Your skills and abilities.
- Your needs, views, religious and cultural background, and support network.
- Any physical difficulties or risks you may experience.
- Any health or housing requirements.
- Information about your needs from your carer (if you want them to be involved in your assessment).

Taking an NHS CHC assessment is therefore the first step when there is a potential need for care. If you qualify then you may not need to pay towards the cost of care yourself. You can apply for a CHC assessment by getting in touch with the adult social services department of your local council and asking for a care needs assessment. There is no charge for this service, and you are entitled to take this regardless of your income, savings and needs.

If you are found to not be eligible for NHS Continuing Healthcare, you can then be referred to the local council who will discuss whether you may be eligible for direct support.

WHO PAYS FOR LATER LIFE CARE?

Additional funding to cover the costs of care is available to eligible individuals through local councils. However, there are specific criteria to be met in order to gain this support.



If an individual is not eligible for NHS CHC, they will either be a 'self funder', who has to pay for their own care or they may be eligible for Local Authority funding. Not everyone is eligible for this however, even those who get support will often be expected to cover some of the costs themselves.

After taking the care needs assessment from your local council, they will carry out a financial means test where they will look at your income, savings and property to work out how much you need to contribute towards the cost of your care and support.

Certain types of income, such as certain disability benefits may not be counted in the means test. All other income can be taken into account. It is important to ensure you are receiving all benefits and entitlements that you are eligible for, as the means test will assume you are even if you are not already claiming for these. If you and someone else jointly hold

capital, such as a savings account, it will usually be treated as divided equally between the two of you.

If an individual has assets worth over **£23,250 (in England)**, they will be expected to cover the cost of care themselves. However, if your assets are valued below this amount, the local authority may be able to offer some financial support.

A property would be included in the assets unless a partner, relative over 60 (or disabled) or a child that the individual is responsible for is also living there.

Did you know...

A nursing home costs 41% more in the South West of England compared with the North East.

Source: Paying for Care in Later Life, Which?, 2021

USING ASSETS TO COVER CARE FEES

When seeking support from other sources, it is important to understand the criteria and thresholds involved. This may involve looking into your background and any recent financially relevant gifts you have made.



It may be tempting to transfer ownership of your home to a family member or make other large gifts to assist in getting below the threshold in order to qualify for local authority care funding. However, you cannot intentionally give away assets to avoid paying for care fees, as this will be seen as ‘deliberate deprivation of assets’.

If the council believes you have deliberately given away your home or other assets to avoid paying care fees, it will treat those assets as still belonging to you.

The guidelines that a local authority will apply are different to the rules around gifting and Inheritance Tax (IHT). For example, gifts made more than seven years before your death are not considered for IHT purposes, but there is no time limit when it comes to a social care financial assessment. Assets given away more than seven years before an assessment could still be included.

In deciding if deprivation was ‘deliberate’ the local authority will look at:

- Your motivation when making a gift.
- Whether you knew you were likely to need care at the time you made the gift.
- How much you gave away.

Did you know...

The minimum annual cost for two hours per day of home care support is £15,644+ (based on UK Homecare Association recommendations).

Source: Financial Conduct Authority, 2022

COVERING THE COSTS OF CARE

Understanding all of the options available to you can be overwhelming at times. In order to find the best solution suited to your needs, it is wise to seek professional, independent advice.

Making good use of your existing finances and assets is a good place to start to fund care costs. This is a great opportunity to review what savings, investments and pensions you have in place and whether they are currently offering you as much as they could be. An Independent Financial Adviser (IFA) will be able to help you with this.

Annuities

An immediate care need annuity is a type of insurance policy that will pay a guaranteed income for your lifetime in order to cover care costs. Please note, it is important to find the right policy for your individual needs and it is wise to seek guidance from an IFA.

State Benefits

It is important to check whether you are entitled to any state benefits, such as attendance or carer's allowance for someone who is looking after you, for example a spouse or relative.

Property

If required, there is also the option of selling or renting out your home to provide some funding. However, there are ways of releasing equity from the home without having to sell. You can apply to the local authority for a deferred payment agreement, where a charge will be put on the property and fees paid by the council. However, you could also look to see if equity release might be a suitable option for you, however, it is important to get independent financial advice before doing so.

Lasting Power of Attorney

If you have not done so already, it is wise to set up a Lasting Power of Attorney (LPA) for health and welfare as well as your finances. By appointing an LPA, you entrust someone to make decisions on your behalf when you are no longer able to do so yourself.

Financial Planning

When reaching later life, it is important to ensure that your finances are in order, not only to cover care costs but also to manage what you leave behind when you pass away. If you are going to be paying for care or even applying for funding from the local authority, you will need to know what you have and where it is. Get some help from a friend or relative, or if you require additional support you can seek the advice from an IFA.

Support Network

When preparing for later life, it is important that you feel supported by those around you. Talking to friends and family about your wishes, requirements and even fears for the future can help make the experience less stressful and daunting. As well as this, there are other sources of support if you require additional guidance which we outline on the next page.

MAKING FUNDS LAST LONGER

At MacDonald Partnership we understand that each client is an individual, and we take time to build relationships to learn more about their circumstances in order to offer the best financial advice, especially with more complex situations.

Case Study: Elsie and Ella

Following the death of her husband, Ben, Elsie, aged 86, lived on her own for over ten years. In that time, Elsie decided it was wise to set up a Lasting Power of Attorney (LPA) with her daughter, Ella, so that she could act on Elsie's behalf and make sure she is looked after. Luckily, they arranged this at the right time, as five years ago Elsie was diagnosed with Dementia and had to move into a care home.

Since then, Ella has been assisting in the sale of her home, as part of her LPA duties, and got in touch with our team for advice. Ella was worried about managing the money from the house sale and wanted to make sure this lasted as long as possible.

Upon the initial discussion, it became apparent that there was an income shortfall of around £30,000 per annum due to the care costs and, as Elsie had assets over £23,250, she would have to fund that herself.

Firstly, we made sure there was enough in the bank account to fund at least two years' worth of care fees, as well as an additional amount as a cash reserve. We then worked on a plan to make the most out of the remaining money to ensure the fees were paid on an ongoing basis, to hopefully last as long as possible.

Part of the money was used to buy a care annuity, which would provide a tax free guaranteed fixed amount of income to Elsie's care provider, ensuring that at least part of the care fees were catered for every year. This income increases with the retail prices index (RPI) to help keep pace with the care fee increases.

The rest of the money was invested into a low risk portfolio which would provide an income at a point of Ella's choosing to help bridge the income shortfall, which was now much smaller due to the care annuity.

Ella meets with her Independent Financial Adviser every year to review current circumstances, make sure there are enough funds in the bank account, as well as enough steady income to cover the care fees, and if anything has changed, make adjustments as appropriate.

Did you know...

The typical weekly charges for 24-hour live-in care are £800-£1,400. (Fees may be higher for more complex care needs.)

Source: Financial Conduct Authority, 2022

WHERE TO SEEK ADDITIONAL HELP

If you require additional support during the difficult period of later life planning, there are organisations and professional advisers that will be able to make the process easier for you.

Trusted Independent Financial Advice

If you would like to discuss your plans with a trusted, professional, a MacDonal Partnership Independent Financial Adviser will be able to give you expert advice in this area. The complexities of later life need careful and considered advice, from areas including care funding matters to equity release.

Our advisers can help you understand the options available to you, allowing you to make clear and informed decisions for yourself or a family member.

Legal Advice

It is important to consider legal arrangements such as your will and Lasting Power of Attorney. Our Independent Financial Advisers will be able to introduce you to trusted contacts in these areas for the support you need.

Alternative Assistance

Keep in mind that there are also helpful charities and governing bodies who can offer support if needed.

Age UK offers information, advice and services for older people in:

- England (ageuk.org.uk)
- Northern Ireland (ageuk.org.uk/northern-ireland)
- Scotland (ageuk.org.uk/scotland)
- Wales (ageuk.org.uk/cymru)

Carers UK is a charity that offers help and advice for carers (carersuk.org)

EAC FirstStop is a free information service about care and housing for older people (firststopcareadvice.org.uk)

Money & Pensions Service offers impartial advice on money matters, set up by the government (moneyadvice.service.org.uk)

Turn2us is a charity offering advice on benefits and grants (turn2us.org.uk)

Which? Money offers independent, online financial guidance and recommendations covering tax, savings, retirement and more (which.co.uk/money)

(Please note that we are not responsible for updating the information provided on these external links.)

IS NOW THE RIGHT TIME TO TALK?

Our Independent Financial Advisers are highly experienced in dealing with later life planning, and the complexities of this stage of life. We can assist you with your financial arrangements and introduce you to specialists if required.



Helping You Through the Next Steps

The key to covering care fees is planning, and doing so as soon as possible. By seeking the help of an adviser early, you can plan ahead and ensure that if you do need care in the future, you are prepared.

Our Independent Financial Advisers are here to support you at every stage through what can be a stressful and emotional process.

If you require any assistance in planning for later life, please do not hesitate to get in touch with one of our Independent Financial Advisers today.

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