



*Working for your financial future*

GUIDE TO

# LONG-TERM CARE

SUPPORTING SELF-CARE ACTIVITIES AND  
INDEPENDENT LIVING IN LATER LIFE



JULY 2017



# GUIDE TO LONG-TERM CARE

Supporting self-care activities and independent living in later life

Rising life expectancy brings with it the challenge of how we fund our future care costs. The question is: who is responsible for looking after us if we need care in old age?

It's a concern for many people how they will pay the cost of care either for themselves or for a loved one. The reality is that most people will be expected to pay something towards these costs. With the UK's population ageing, more people will be living with long-term care needs.

As we get older, it becomes more likely that we may need day-to-day help with activities such as washing and dressing, or help with household activities such as cleaning and cooking.

## A GOOD LIFE IN OLD AGE

Not only is the demand for long-term care expected to rise thanks in part to our ageing population, but also due to an increasing prevalence of conditions such as dementia. This makes planning ahead essential, but when it comes to funding later life it can get quite complicated, particularly since the costs depend on several unknowns, including how long we are going to live.

The matter is further exacerbated because of how local authorities calculate whether a person needs financial assistance for the cost of residential care.

The average cost of a care home place in the UK is £30,000 a year, and £40,000 if nursing

care is required; if you live in the South East of England, the price is likely to be more, according to The Money Advice Service. Even if you're going down the care-at-home route, you'll find that at approximately £17 an hour, two hours of daily care could amount to almost £12,500 a year.

## LEVEL OF STATE SUPPORT

The level of state support received can be different depending on whether you live in England, Wales, Scotland or Northern Ireland.

In England and Wales, for example, currently you can receive means-tested state assistance, which depends on your savings and assets. For instance, if your savings and assets are above £23,250 in England, you will normally be expected to pay for the full cost of long-term care yourself.

Government state benefits can also provide some help but may not be enough or may not pay for the full cost of long-term care.

## FINANCIAL SUPPORT ASSISTANCE

Long-term care insurance can provide the financial support you need if you have to pay for care assistance for yourself or a loved one.

Additionally, some long-term care insurance will cover the cost of assistance for those who need help to perform the basic activities of daily life such as getting out of bed, dressing, washing and going to the toilet.

You can receive long-term care in your own home or in residential or nursing homes.

Regardless of where you receive care, paying for care in old age is a growing issue.

## PLANNING FOR LONG-TERM CARE

There are a number of different ways to fund long-term care. These are some of the main options available for people needing to make provision.

## IMMEDIATE NEEDS ANNUITIES

This annuity is a type of insurance policy that provides a regular income in exchange for an upfront lump sum investment. When used for long-term care, it provides a guaranteed income for life to pay for care costs in exchange for a one-off lump sum payment if you have care needs now. Income is tax-free if it is paid directly to the care provider.

**IF YOU NEED TO FUND YOUR LONG-TERM CARE AND HAVE ALREADY PAID OFF (OR NEARLY PAID OFF) YOUR MORTGAGE, AN EQUITY RELEASE SCHEME COULD BE ONE OPTION TO CONSIDER IF APPROPRIATE.**

### ENHANCED ANNUITIES

You can use your pension to purchase an enhanced annuity (also known as an 'impaired life annuity') if you have a health problem, a long-term illness, if you are overweight or if you smoke. Annuity providers use full medical underwriting to determine a more accurate individual price. People with medical conditions including Parkinson's disease and multiple sclerosis, or those who have had a major organ transplant, are likely to be eligible for an enhanced annuity.

### EQUITY RELEASE SCHEMES

If you need to fund your long-term care and have already paid off (or nearly paid off) your mortgage, an equity release scheme could be one option to consider if appropriate. It is important to obtain professional financial advice before committing to an equity release scheme. Your individual circumstances need to be assessed, and this is why financial advice is a must in the process and a regulatory requirement.

These schemes give you the ability to obtain a cash lump sum as a loan secured on your home. However, it's essential to make an informed decision and consider the options and alternatives available and any implications regarding state benefits, local authority support and tax obligations.

### SAVINGS AND INVESTMENTS

These two methods enable you to plan ahead and ensure your savings and assets are in place for your future care needs.

If you are already retired, or nearing retirement, you should ensure that your financial affairs are in order – for example, arranging or updating your Will or a Power of Attorney. It also makes sense to ensure your savings, investments and other assets are in order in the event that you or your partner may need long-term care in the future.

If you are of working age, you are in the best position to plan for your future care needs. Accumulating wealth through investments or savings while you are earning will help with the potential costs of long-term care in later life.

### WHAT SHOULD YOU THINK ABOUT WHEN PLANNING FOR FUTURE CARE NEEDS?

- Who in your family may most need long-term care and for how long?
- Do you or another family member need to make long-term care provision now?
- Do you have sufficient money to pay for future long-term care fees?
- How long might you need to pay for a care fees plan?
- Is there the likelihood that home care or a nursing home may be required?
- What activities may you require help with, for example, help with dressing, using the toilet, feeding or mobility?
- Would your home require additional features such as a stair lift, an opening and closing bath, or a bath chair?

### LOOKING TO REVIEW THE LONG-TERM CARE FUNDING OPTIONS AVAILABLE TO YOU?



Many people are concerned about how the prospect of paying for care fees will affect them. Indeed, the media continually features stories regarding care fees, social care and who is to pay. To discuss your requirements or concerns, or to find out more, please contact us.

EQUITY RELEASE MAY REQUIRE A LIFETIME MORTGAGE OR HOME REVERSION PLAN. TO UNDERSTAND THE FEATURES AND RISKS, ASK FOR A PERSONALISED ILLUSTRATION.



# WANT TO DISCUSS YOUR REQUIREMENTS OR CONCERNS, OR FIND OUT MORE?

All in all, planning and timing is of utmost importance when it comes to funding for long-term care, and this is more the case now than ever. We can assist you to review the appropriate options available to help fund care and minimise the impact of long-term care fees.

To discuss your options, please contact us.

This guide is for your general information and use only, and is not intended to address your particular requirements. The content should not be relied upon in its entirety and shall not be deemed to be, or constitute, advice. Although endeavours have been made to provide accurate and timely information, there can be no 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 the content. Thresholds, percentage rates and tax legislation may change in subsequent Finance Acts. Levels and bases of, and reliefs from, taxation are subject to change and their value depends on the individual circumstances of the investor. The value of your investments can go down as well as up and you may get back less than you invested. All figures relate to the 2017/18 tax year, unless otherwise stated.