bdhSterling*

A Guide to Paying for Care

www.bdhsterling.co.uk

We care about your needs and helping you make the right choice at a difficult time.

Welcome to bdhSterling

This Guide to Paying for Care is intended for anyone who is in care or about to enter care, or for those acting on behalf of someone who is. It can be a daunting and emotional time and so having access to the right information and advice is extremely helpful.

Introduction to care fees planning

If you are moving into a care home or having to meet the costs of care for the first time, or if you are arranging this for a relative, it is possible that you haven't received any clear guidance about your funding options or the benefits that you may still be able to claim.

You may be worried about what the cost will be, or what would happen if you ran out of money while you are still in care. You probably won't know how long you will need care for, or what the final bill will be, and this can be a cause of unnecessary worry for you and your family.

Is there any financial help available?

There is help available depending on your personal circumstances. Some help is available without means testing while other assistance is dependent on your health needs or a financial assessment.

There are a number of options available, but these are complex and the best solution for you is not always obvious. The decisions you may need to make also come at a difficult time so obtaining guidance can be a great help.

How can we help?

Your personal circumstances will inevitably determine what options are available to you, but there will still be choices to make.

Using the assistance of a professional financial adviser in these circumstances would help you navigate and understand the numerous options available, and how these fit in with your personal circumstances.

We can show you how the different choices you have could pay for your care and explain the pros and cons of each.

We will take the time to understand what is important to you, and where possible allow for this in determining the right solution.

This might be that you do not want to sell your house, or you want to make sure that you are leaving something for your children.

By taking advice you will have all the information you need to make an informed choice about how to fund your care.

Financial planning in these areas is highly specialised and requires the adviser to hold the appropriate qualification (CF8).

For further advice please call us on **01372 724 249** or email **infouk@bdhsterling.com**

We realise that sometimes you may be gathering information before seeking advice, so over the next few pages there is some information about some of the help available and ways you can fund your care.

Can someone make decisions for me if I am unable to?

Yes, and it is a sensible precaution to prepare for this, even if you don't need to use it. A Lasting Power of Attorney (LPA) can be set up which authorises one or more persons to act on your behalf if you are unable to look after your own affairs. You can set up a Health and Welfare LPA and/or a Property and Financial Affairs LPA.

Setting up a Lasting Power of Attorney at an early stage can make things less complicated than waiting until it's too late. A solicitor or qualified will writer can help you grant the degree of authority that you wish, in order that someone can make decisions or sign papers for you.

In the event that a Lasting Power of Attorney is not set up and a person no longer has mental capacity, an application needs to be made to the Court of Protection. This is a complicated and sometimes costly procedure which can be avoided by planning in advance.

A person's appointed Attorney or Court Appointed Deputy must make decisions in the best interests of the person they are acting for, not for the potential beneficiaries or other family members.

Is the system changing?

The government was thought to be making changes following the Care Act 2014, which included the introduction of a cap for part of the care fees.

This was postponed, and the Government announced that they would be publishing a Green Paper on care and support for the elderly by summer 2018. This has been delayed until spring 2019 and will open up further consultation and discussions in a step to changing the law.

The expectation is that people will still have to contribute to their care due to the increasing need and the pressure on the current level of funding.

What Government support is there?

You might be eligible for the local council to pay towards the cost of your care if you have less than £23,250 (2019/20) in savings.

Exactly how much your council will pay depends on what care you need and how much you can afford to pay.

If you need care, the council will then do a financial assessment (means test) to work out what you will have to pay towards the cost of your care.

The means test works out if:

- The council pays the full cost of your care
- The council pays some of the cost and you pay the rest
- You pay for all of your care

Most savings and assets are included in the Local Authority financial assessment, but some confusion has surrounded the subject of whether or not a person's home is included.

It is not included in the means test if:

- The spouse still resides in the home
- A relative over 60 resides in the property
- A disabled relative lives at the property
- A child under 16 lives at the property
- The person is in the first 12 weeks of needing permanent care
- The care is being provided on a temporary basis

Is there any other help available?

Attendance allowance

Attendance allowance is a tax-free state benefit available to those over the age of 65 who have needed care for longer than six consecutive months. It is non-means tested.

Attendance allowance is paid at a lower rate for those needing care either during the day or at night, and a higher rate for those needing care during both the day and the night. The current weekly allowances are lower rate £58.70, higher rate £87.65 in 2019/20.

Attendance allowance can continue to be paid if you are in a care home and are paying for your own care and are not funded by the Local Authority.

To obtain a claim form visit

www.gov.uk/government/publications/attendance-allowance-claim-form

or call

Telephone: 0800 731 0122
Textphone: 0800 731 0317

What about free nursing care?

Many people do not realise the differences between care homes and care homes with nursing, as nursing homes are now called.

Both types of home provide accommodation, supervision from staff 24 hours a day, meals and help with personal care needs, but nursing homes also have registered nurses on duty at all times.

If you are personally assessed by an NHS nurse (not the care home) as needing nursing care then you will be entitled to receive either a contribution towards your care fees, or to have the costs fully met.

The assessment will determine if you are eligible for NHS Continuing Healthcare which covers the full costs, or for the weekly Funded Nursing contribution (FNC) which amounts to £158.16 per week in 2018/19.

NHS Continuing Healthcare is for those with a primary healthcare need involving complex medical conditions that require a lot of care or specialist nursing support. It is not routinely offered and may need to be applied for more than once.

The assessment should be repeated after three months and annually after that. The assessment may change at each assessment and so the need to fund care fees could also change.

What are the 12-week Property Disregard and Deferred Loan?

The Local Authority must disregard the value of your property for the first 12 weeks of you moving into a care home on a permanent basis if:

- Your other savings and capital total £23,250 or less
- You have had a care needs assessment
- The assessment agreed that you need to move into a care home

If the Local Authority does not think you need to move into a care home, they can refuse to make this contribution.

The local authority for the area in which you currently reside are responsible for this, not the local authority for the area to which you are moving if this is different.

Your local authority will have a standard amount that they will pay towards your care. If this is less than the fee charged by your chosen care home, the home may require the difference to be paid. This is known as a top-up payment and can be made from your remaining savings, provided your savings are between £14,250 and £23,250.

The contribution from the Local Authority will take into account your income, and so typically they will pay the difference between your income and their standard rate. For example, if the Local Authority standard contribution was £500 per week, and you have £200 per week of income, the Local Authority will actually only pay £300 per week towards your care.

If your chosen care home had fees of £800 per week, you would have £200 from your income, £300 for the Local Authority, leaving £300 required as a top-up payment.

You do not have to repay the council funding for the initial 12 weeks, ie £300 x 12 weeks.

If however your property has not sold after the initial 12 weeks, or you have decided not to sell it, the Local Authority may be able to lend you the money to pay for your care through a 'deferred loan' which is paid back when your property is eventually sold.

The Local Authority may not lend you the full amount if the fees at your chosen care home are more than the standard contribution, and you may still have to pay a top-up. There may be a small fee for setting up the arrangement and there is a maximum rate of interest that the Local Authority can charge which is reviewed every six months.

If you are thinking about renting the property out then advice should be sought so that you fully understand the tax implications and risks involved, namely income tax, capital gains tax and risks like void periods and wear and tear.

What happens if my money runs out?

If your capital falls below £23,250 then your Local Authority will complete their assessment as previously discussed, and will then have an obligation to fund your care if you meet their eligibility criteria.

If your fees are higher than the Local Authority's maximum weekly amount then you may be asked to either:

- Move to a cheaper room
- Family members can pay a third-party top-up
- Move to a cheaper care home

You should check the situation before accepting a private care home place, and their contract should state what will happen if the private rate can no longer be paid.

How can I fund my own care?

If the value of your assets and savings push you above the threshold to receive help with your care fees, you will generally be responsible for funding your own care fees.

You will likely be in receipt of some income which will go towards your care fees. Your capital and assets will be used to fund the remaining fees, and if planned carefully it may be possible to find a solution that will pay your care fees indefinitely whilst protecting some of your capital for your beneficiaries.

1. Paying directly from capital

Although this is the most common approach, this could be due to a lack of awareness of the alternatives, rather than because it is the most suitable. In most cases there will be the possibility of the capital running out.

If capital runs out, some care homes may continue to accept Local Authority funding but there is the risk that your family will have to fund top-ups if the home continues to ask for the full private fee. Alternatively, they may ask you to move to another home that will accept the lower rate.

It would not be the choice of most families that virtually all the estate be used to pay care fees without having the certainty of ongoing care.

2. Investing the capital

If you have existing investments or sell your property and wish to invest the proceeds, there are a wide range of options available with varying degrees of risk and return. If you have a significant amount of capital, then investing wisely may produce the income required to meet the shortfall.

If the income generated was insufficient, there may be capital erosion, and in the current economic climate there is the risk that investments could decrease so taking money out at the same time would erode the capital at a faster rate.

Without knowing how long you may be in care for, you will not know how much the capital will be eroded by or how long it will last.

To give an example, if you had £300,000 invested and achieved a return of 3% after charges and before tax, you would generate an income of £9,000 a year.

3. Immediate or deferred care annuity

You may have heard of annuities in relation to pensions, but care annuities are specifically aimed at meeting care costs.

They take account of the age and state of health of the elderly person requiring care and offer an income and cost accordingly.

The plan is purchased with a one-off payment which is non-refundable unless some form of capital protection is included. The income that you receive is paid for the rest of your life and will stay the same unless you choose to have it increase by either a fixed percentage or the rate of inflation.

Although these plans offer a guaranteed income, which is paid directly to the care home and is free of tax, there is a risk that you will lose capital if you do not need care for as long as the annuity company predicts.

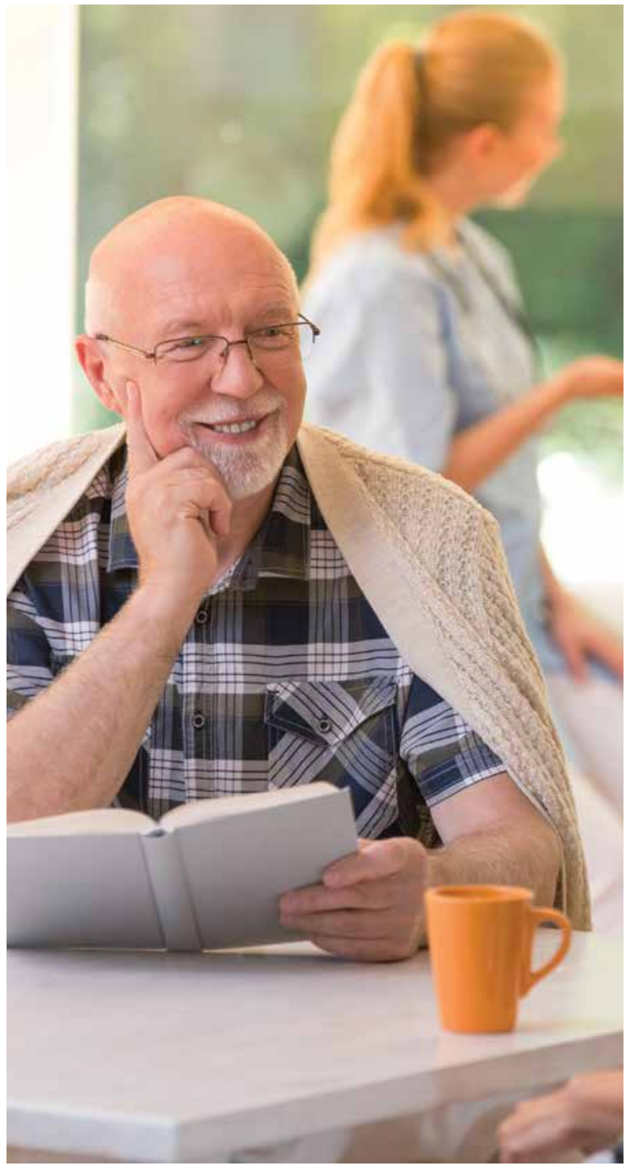
A deferred annuity offers the option of buying a plan now but paying a reduced premium by delaying the date on which the income payments start. This makes the plan much cheaper and can offer better capital protection.

For example, if an immediate care fees plan were to cost £100,000 for a £20,000 annual level income then a 3-year deferred care fees plan may only cost £40,000, saving the estate an initial outlay of £60,000. You would still have to cover the £20,000 shortfall yourself for each year of the deferred period (plus any fee increases) so, by the beginning of year 4 the total cost would still have been £100,000, but in the event of early death, some of the 'self-pay' money will be in the estate and not lost to the Insurance Company.

What would a care fees plan cost?

The cost is determined by a number of factors, including your age, state of health and the amount of money that you require from the plan. There is no standard rate and different providers can offer very different amounts. If you have other income then this should be used first so that the care fees plan is kept to a minimum. Generally, the older you are and the more care you need, the lower the cost of the plan, and if you are younger and more independent then it is more expensive.

You should always obtain quotes where the providers have been able to obtain your medical information from your GP and your care needs from your care home. No medical examination is necessary but if quotes are based on 'best guesses', then the wrong decisions can be made.



4. Using your property

If you have property then you may want to consider how this can be used most effectively to help fund your care. You could

- Sell the property
- Rent the property

If you are going to be in care permanently and do not wish to keep your property, you could sell it and use the proceeds to fund a care fees plan, invest or use the capital as previously mentioned.

If you want to keep your property, then you could rent it under a tenancy agreement and use the income towards your care fees.

The income from a property is unlikely to cover your full care fees and would need to be considered alongside other options. There are additional risks to consider, for example

- Void periods with no rental income
- Wear and tear which might involve costly repairs
- Problems with tenants

If this was a consideration it would be advisable to have someone that could manage it on your behalf.

5. Using a combination option

The final option would be to use a combination of options, using investments and other income to fund part of your care and a care fees plan for the balance.

Any options must be considered carefully because if your investments became depleted then your care fees plan income would likely be too high for Local Authority assistance, but you may have no capital left to purchase a top-up annuity.

What do I do next?

When you have had time to digest the information in this guide and think about your own circumstances, it might be time to come along and speak to an adviser.

We offer a free initial consultation which is an opportunity to talk through your circumstances and get an idea of what your options are and what is important to you.

We can either visit you or arrange a meeting at our offices.

Our goal is to find the right solution to make sure that your needs are met, and for you to have peace of mind that your care costs are covered.

To arrange an appointment call **01372 724 249** or email **infouk@bdhsterling.com**

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