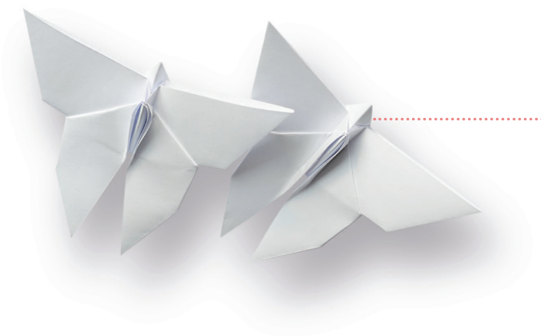
FUNDING CARE IN OLD AGE



We are Just. We believe that everyone deserves a fair, secure and fulfilling retirement.

We're one of the UK's leading providers of insurance products to fund care fees and offer plans tailored to our customers' needs. We also take your health into consideration to enhance the income needed to help meet care fees payments.

Just is a trading name of Partnership Life Assurance Company Limited. Where you see 'Just', 'we' or 'us' in this document it means Partnership Life Assurance Company Limited.

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TYPES OF CARE

Care at home

If someone wishes to stay in their own home, some changes may be necessary to allow this. They may include:

- adapting a home, or
- moving to a more suitable property.

If staying in their own home isn't possible other options may include:

- living with family or moving nearer to supportive relatives,
- moving to sheltered, retirement, extra care or assisted living housing, or
- moving to a care or nursing home.

In addition to arranging care and support services, the local authority may also be able to help with minor adaptations to a property, provide aids, or organise an occupational therapy assessment or a means-tested grant.

Extra care/assisted care/supported living/care villages

These supportive or sheltered homes promote independent living. They can provide varying care and support services and may be privately rented, shared ownership, owned properties or have a social landlord. They can be in a variety of settings including a family home, such as in the case of a shared lives scheme.

Residential care homes

If more help is needed with day-to-day care, these homes have care assistants but don't provide health/nursing care.

Currently, the average cost of a residential care home is £672 per week[1]. However, the cost varies hugely across the country, between care homes, and depends on the level of care required.

Care homes with nursing

If someone has needs that include a medical element, then a home with registered nursing staff may be required. A nursing home often has a higher staff to resident ratio and may be a more suitable option for those with greater needs.

Currently, the average cost of a care home with nursing care is £937 per week[1]. Again, this cost varies hugely across the country, between care homes, and depends on the level of care required.

Specialist homes

Many care homes provide specialist support for specific conditions.

EMI is the abbreviation for Elderly Mentally Infirm. Homes with this status provide a more specialist care provision in a secure environment which may be necessary for some residents with dementia type behaviours/needs.

Other care homes specialise in rehabilitation or supporting particular illnesses or disabilities, including neurological conditions such as acquired brain injury (ABI) and multiple sclerosis (MS).

It may also be possible to find a home for a specific group of people. For example, there are Royal British Legion care homes for serving and ex-service people and their dependants.

Temporary/respite care

A temporary stay in a care home for a short period may give a carer a break, and/or help a person recover after an illness or following a hospital discharge. If you think someone, or a carer, would benefit from having some respite care, ask your local authority for a care needs/carers assessment.

[1]Laing and Buisson Care Homes for Older People, UK Market Report, January 2021

COST OF CARE

Care at home

Most of us would like to stay in our own homes – and local authorities try to support this for as long as possible. But care at home can still be costly.

The average cost of home care is currently £17.48[2] an hour.

So just two hours of daily home care could cost over £12,700 a year – not taking into account higher rates for evenings, weekends and public holidays.

Residential care

The average cost of a residential care home stay is £672 a week, rising to over £937 if nursing is required[2] – although some care home residents can pay much more or much less than this depending on their location.

Being assessed for care

Local authorities have an obligation to conduct an assessment (known as a needs assessment) to decide an individual's care needs and the most appropriate place for them to be met, regardless of their financial means.

This usually involves a home visit so it's good to have a family member or friend present to share what's discussed. If care in a home is recommended, then the local authority has a duty to help make sure suitable care is available.

Other costs

It's important to remember that these are only the costs of accommodation and nursing. Costs that may need to be met on top of a care home's bill might include:

- Clothing, toiletries and personal items
- Trips and treats
- Telephone calls

[2]Laing and Buisson Care Homes for Older People, UK Market Report, January 2021

When looking for a care home it's important to establish what is and isn't included in the fees.

HOW TO COVER THE COST

Nobody can predict how long care will be required which means plans need to be made to pay the fees. Unfortunately, running out of money and having to rely on the local authority or support from family to make up the shortfall often leads to sacrifices having to be made. In some cases a move to a less desirable home is inevitable. In addition, using up all the money to pay for care means that there's no inheritance to leave to loved ones.

Financial planning helps to make sure that care can be funded for as long as required, while keeping as much capital as possible. It's therefore important to speak to a specialist Care Fees Adviser.

Some options to help cover the cost of care

Own income

Some people may receive enough income from various sources to pay for their care in full. These sources can include:

- Income from a state pension, personal pensions or occupational pensions
- Interest from savings accounts (including deposit accounts, ISA's and National Savings)
- Dividends on investments (bonds and shares)
- Rental income

Own assets

Some people may have enough disposable assets from various sources to pay for their care in full. These sources can include:

- Savings accounts
- Proceeds of a property sale and/or other assets
- Investments (bonds and shares)

Family contribution

It's possible that family may be able to contribute towards the cost of care.

Care Fees Plans (also known as Immediate Needs Annuities)

These are specialist insurance plans, which are designed to help to convert a lump sum of money into a regular income to help pay for care fees as long as the customer lives. In return for a one-off lump sum payment, a guaranteed income is paid for as long as the person lives. Although the plan guarantees to pay an agreed amount of income for the rest of your life, it does not guarantee to cover the full cost of your care. The plan, and therefore the income payments, will stop when you die. The total amount of income payments made may be less than you paid for the plan and may be considerably less if you die shortly after the start of your plan. Plans do however offer some optional protections against this but there will be an increase to the cost of the plan.

At Just, we offer 2 types of care fees plans.

- Our **Immediate Care Plan** is an annuity that pays a regular, fixed, guaranteed income for life. It's designed for people who want the peace of mind of a guaranteed income that doesn't depend on investment performance.
- Our **Deferred Care Plan** offers the same guaranteed income as the Immediate Care plan except the income payment start date is deferred for between one and five years. It's designed for people who can pay fees in the short term but want to cap their exposure and have longer term security of income.

For more information about our care plans please speak to your financial adviser.

Getting help from the state

Local authorities and the NHS can help with the cost of care – but support is limited and varies depending on where you live. You can use the following as a guide but we recommend you seek local expert assistance to understand the support available in your area.

Qualifying for support

Local authority support with the cost of old age social care is means-tested by assessing your capital and income. For example, in England and Northern Ireland:

- If an individual's assets including any property have a total value of less than £14,250, the local authority will typically pay the care bills in full, although may expect a contribution if an individual receives certain benefits or income.
- If personal assets exceed £23,250, an individual will be expected to pay care bills in full.
- A reducing scale of support applies between £14,250 and £23,250.

Different upper and lower capital limits apply in Scotland and Wales. See the table on the next page for more information.

Capital limits for care funding 2021/22

	England	Scotland	Wales	Northern Ireland
Upper limit	£23,250	£28,750	£24,000*	£23,250
Lower limit	£14,250	£18,000	n/a	£14,250

If a person's assets are more than the upper limit, they must pay for their care in full.

If a person's assets are less than the lower limit, their care will be paid in full by the local authority.

*£24,000 for non-residential, £50,000 for residential.

Personal Expense Allowance

This is a small allowance which individuals are allowed to keep if their care fees are paid by the state. This is for their own personal use. It's currently £24.90 per week in England (£33.00 in Wales, £29.30 in Scotland and £27.19 in Northern Ireland).

Financial assessment

Local authority means-testing includes most capital, savings and income held in an individual's name, including:

- Bank and building society accounts
- National Savings and Premium Bonds
- Stocks, shares and investment products
- Income from State, personal and occupational pensions
- Property and land (less any mortgage)

However, some assets are disregarded by the means test for the capital assessment, including:

- Value of life policies/annuities (some income may be considered).
- Some compensation payments held in trust or by the courts.
- Some investment bonds with a life assurance element (check with your provider).
- Property that continues to be inhabited by a partner, dependant/s or certain other parties.

Other benefits and allowances

There are a number of other benefits and allowances available to help those requiring care:

Attendance Allowance

Attendance Allowance is a non means-tested, tax-free benefit for people who are State Pension age or older and need help with basic functions such as bathing or eating, whether at home or in care.

There are two rates: 'higher' for care around the clock and 'lower' for part-time assistance.

The current weekly rates are:

- £60.00 lower rate, and
- £89.60 higher rate

Funded Nursing Care Payment

Funded Nursing Care Payment is sometimes referred to as the Registered Nursing Care Contribution (RNCC) is a contribution towards nursing care costs paid directly to the nursing home. It is important to discuss with a home how the RNCC is accounted for in their fees. The level of RNCC varies across the UK.

England	Scotland	Wales	Northern Ireland
£187.60[1]	£280.60[2]	£179.97[3]	£100.00

Figures are for the 2020/21 tax year unless otherwise stated.
[1]£258.08 if assessed at a higher rate pre October 2007
[2]The amount also includes the Personal Care Contribution of £193.50 (in Scotland you can receive £193.50 per week if personal care is required, and an additional £87.10 if nursing care is required).
[3]2019/20 figures

Personal Care

Personal Care is a weekly allowance towards personal care in Scotland – currently £193.50. However, if a resident receives Personal Care, they're no longer eligible to receive Attendance Allowance (after 28 days).

NHS Continuing care

Individuals with severe illnesses may qualify for 'continuing care' as NHS patients. Continuing care is fully funded and isn't means-tested. Eligibility for continued care may be reassessed at a later point and could be stopped.

FUNDING AND YOUR HOME

Authorities may ask detailed questions about current and past property ownership to determine whether an individual has attempted to sell or give away property in order to reduce the value of their assets to qualify for support.

Regardless of how long ago it was, giving away your property or putting it in trust can be viewed as an attempt to rid yourself of capital and may still be included in the means test. There is no time limit on how far back the local authority might look in this respect, and your intentions will be considered.

Using property to fund care

There are a number of ways in which property could be used to help fund care.

Equity release

For those over 55 who own and live in their own home (worth at least £70,000) and wish to fund their care at home, equity release could be an option. It allows you to release some of the value of your home and doesn't normally need to be repaid until you (or the last borrower if borrowing jointly) die or move permanently into long-term care.

Choosing equity release is an important decision, so make sure to get advice from a qualified financial adviser if you're looking to explore this option.

Rental

Letting out property could provide a regular income to support the payment of care bills. However, this is not guaranteed.

Selling your property

If it's agreed that a property must be sold to help with the cost of care, homeowners are given a little breathing space.

As long as other assets fall below the upper capital limit, the local authority should pay care home fees for up to 12 weeks to allow time to sell the property.

If the property still isn't sold after 12 weeks, the local authority may agree to continue to pay the fees under a deferred payment agreement. They'll look to recover the costs when the property is sold or the resident passes away. The deferred payment agreement is a loan and interest charges may be added.

Deferred Payment Agreement

From April 2015, all councils across England started offering deferred payment agreements. Deferred payment agreements mean that if you move into a care home but don't want to sell your home in your lifetime, you're not forced to do so.

If you're eligible, the council will help to pay your care home bills on your behalf. You can delay repaying the council until you choose to sell your home (or use other assets to repay the debt) or until after your death. Councils may charge interest on the amount owed to them.

It's worth investigating what the limit is on the accumulated debt (how much debt you build up) with this approach. It will be linked to the value of your home so that you don't end up owing more than you can pay back.

When property is disregarded

A property can be excluded from the means test if it continues to be the home of someone else. This includes:

- a spouse or partner
- a relative who is over 60 or disabled
- a minor under 18 who is dependent on the person in care
- a separated lone partner with responsibility for a minor, and
- in some cases, someone who gave up their own home to look after the person now going into care. This is at the discretion of the local authority

CASE STUDY

Brian and Jean, a married couple, are 81 and 75 and have lived in their bungalow in Hampshire for 16 years. Brian, a retired engineer, was diagnosed with motor neurone disease four years ago and it's been agreed that residential nursing care would be the best option.

Apart from their home, which has a market value of £143,000, Jean and Brian have £24,000 in building society savings, £16,000 in investments, they both receive their state pension, and Brian receives a pension of £943 a month from his former employer and will generally be expected to use all of his income, less any personal expense allowances, to contribute towards the cost of his care.

The bungalow is disregarded from Brian's financial assessment as Jean continues to live there. Half their savings and investments are allocated to Brian, giving him assets of £20,000.

This means Brian falls below the current £23,250 threshold for care support and will receive some funding from his local authority. As his assets exceed £14,250, he must contribute £23 a week in tariff income towards his own care from savings held.

For illustration purposes only. Any resemblance to actual persons is purely coincidental. The tariff income is calculated as £1 per every £250 over the lower threshold of £14,250.

YOUR QUESTIONS ANSWERED

Our parents own their home jointly and have around £30,000 in savings. My father needs to go into nursing care but my mother wants to remain at home. Can we be forced to sell the property to pay for Dad's care?

No. As long as your mother continues to live there, the property won't be included in the means test for care funding. However, half of their joint savings will be. With £15,000 in assets, your father is above the lower capital limit of £14,250 (in England and Northern Ireland) and will be expected to make a contribution towards the cost of his care, depending on his level of income.

My widowed father needs to go into care now. He doesn't qualify for local authority funded care due to the value of his house, but it may take months to sell his bungalow to help with costs. What can I do?

The local authority should disregard the property from the cost of care for the first 12 weeks. If the property is still not sold after this time, the authorities can still continue to pay costs but will look to recoup these against the proceeds from the property when it is finally sold. This is called a Deferred Payment Agreement. Make sure your father looks to see if he is eligible to claim Attendance Allowance to help with the cost of care.

Can we put our house in trust for our children to avoid a forced sale in the event that we need to go into care?

Putting property in trust for future generations is a complex issue not simply because of care costs but because of the tax implications, so legal advice is essential. Under the means test, your local authority may ask about your property ownership going back a number of years. If it deems property was placed in trust deliberately to take it out of the means test, it may still be included. Plus, the means test upper threshold is low (currently £23,250 in England and Northern Ireland) so other assets could disqualify you from support in any case.

We have paid for my mother to be in a nursing home for three years. Her condition has now deteriorated and she requires round-the-clock care. Can we get any more support?

You can ask that your mother is reassessed by the NHS. If she is in need of 24-hour nursing, the NHS should pay for all of this as NHS Continuing Care. If this was the situation for some time, then some of your fees may be refunded.

My mother really wants to go in to her local care home but she has special dietary requirements. This care home costs more than my local authority is willing to pay.

If you argue successfully that the home is the only one available locally that meets your mum's assessed needs, the council may meet the full cost, assuming she falls below the £14,250 means test lower threshold (in England and Northern Ireland). If the authority still refuses but you have set your heart on this home, your mum or your family will have to meet the shortfall.

My sister and I have lived together for 20 years and are now in our early 80s. What will happen to our property if one or both of us needs to go into care?

The property will be disregarded from the care funding financial assessment when the first of you goes into care. If the second needs care, the value of the property will then be included. If the property then needs to be sold to help with the cost of fees, the local authority may help with funding until the property is sold. Should you both need to go into care at the same time, half the property's value will be allocated to each of you for the means test.

My parents own their home and have £80,000 in savings. Will they get any financial help with the cost of care?

Their assets put them well above the threshold of £23,250 (in England and Northern Ireland) per person at which help is given with funding care. However, if they need help with basic daily tasks such as bathing, and dressing they may be able to claim for the Attendance Allowance – worth up to £89.15 a week.

If they require nursing, they will receive an NHS funded nursing care payment. It's important to discuss with care homes how the contribution is accounted for in their fees.

If their circumstances change (for example, when their savings run out), they can be reassessed for funding.

My sister and I like the idea of buying a care fees plan to pay for our mother's care bills but are concerned it is money wasted if she dies soon afterwards.

If you are concerned about losing money, all care plans offer the option of protection.

Some care plans will automatically return some capital if the person dies in the first six months. If you want protection for longer, you can buy capital protection to insure for some return of capital until the value of the protection equals the amount paid out in care fees.

I want to use income from some of my investments to help pay for my father's care. If he is the beneficiary, who will the income be taxed on?

If the investments are in your name, they will continue to be taxed at your rate of income tax. It may be possible to set up a trust, naming your father as beneficiary of income, or gifting them to your father outright but this may mean losing rights to the assets. Trusts can be complex so it's advisable to talk to a solicitor.

YOUR QUESTIONS ANSWERED (CONTINUED)

Is a care fees plan guaranteed to cover care costs?

No – you will be told how much annual income the plan is guaranteed to pay out against the care home you would like to go to. You will be responsible for paying any shortfall between the fees the care home charge and the income paid from the plan. Should fees rise in the future and this level of increase is not included in the plan, there may be a shortfall in future.

However, care homes may be open to negotiation, knowing they are assured of the guaranteed income. Care plans can offer inflation-proofing or annual increases to help address rising fees so a fee 'limitation' or 'capping' agreement may be possible.

Can income from a guaranteed care fees plan be used to fund care at home?

Yes – income can be used at any stage to fund either residential or home-based care. Note that if income is paid direct to a registered care provider it is tax-free (if not, it will be subject to tax), so discuss the best arrangement with whoever is providing care and the annuity company or a specialist care fees adviser. If care is required, be sure to check to see if you are eligible to claim Attendance Allowance, which is tax-free and not means-tested.

My mother is quite wealthy. Is her local authority under any obligation to help her find the right kind of care?

Yes – the local authority has a duty to assess her care needs and ensure she has access to suitable care, even if she funds it.

ABOUT US

We are Just. We believe that everyone deserves a fair, secure and fulfilling retirement. We're here to help you get the most out of yours.

Quick facts

- We were awarded a 16th consecutive '5-star' award in the 'Pensions and Protection' category at the 2020 Financial Adviser Service Awards.
- At the heart of our brand is a social purpose, and our mission is to help one million people with the challenges of later life. Read more on our website, wearejust.co.uk

FOR MORE INFORMATION

Call: **0333 043 7040**
Lines are open Monday to Friday, 8.30am to 5.30pm

Email: **ltc@wearejust.co.uk**

Or visit our website for further information: **wearejust.co.uk**

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