



The Basics of Care Fees Planning

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INTRODUCTION

Most people faced with a need for care and support in later life and their families are concerned about the potential cost and what might happen if their savings run out. Worries about protecting the house, looking after a spouse or partner, or leaving an inheritance for children.

If you have been told you need to meet long-term care costs yourself, or if you are arranging care for a friend or relative, you may not know where to start. It can be difficult to find clear guidance on your options, or on the state funding and benefits which may be available to you, particularly if you have intense or complex medical needs.

WBW Chartered Financial Planners specialises in advising people in later life, their families and Attorneys or Deputies acting on their behalf, about the best way to plan for and meet the costs of care.

Our regulator, The Financial Conduct Authority, requires financial advisers who are active in this field to hold specialist qualifications over and above those that are normally required to give financial advice. We hold all of those and more. Certain members of our Chartered and Certified Financial Planning Team are accredited by the Society of Later Life Advisers and are also fully qualified Members of the Society of trust & Estate Practitioners.

We also have extensive personal experience. Most of us have supported family members who have developed significant care needs in later life. We know how difficult it can be to find your way through the system and how determined you need to be. We are able to inform you about your rights and your options and we have a network of professional contacts who can provide further specialist advice and support as and when you need it.

The options that are available and the right advice very much depend upon the specific circumstances of the person who requires care. We have written this guide to provide general information which we hope will be useful either to those faced with an immediate need for care or those who are simply thinking around the subject and looking to plan in advance.

If you would like to discuss your situation, please contact us to set up an initial conversation. We offer any prospective client an amount of time free of charge to talk things through and to work out how we can help. Our Contact details are set out on Page 15.

Please read this document in conjunction with the State Benefits and Care Funding Summary.



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BASIC RESPONSIBILITIES

The responsibility for ensuring that anyone with a care need receives appropriate care and support in an appropriate setting lies with either your Local Authority if your need is primarily a "Social Need", or partly or wholly with the NHS if you have a "Health Need".

Regardless of how much income or capital you have, your Local Authority and the NHS should assist in signposting you to sources of information and assistance. It is always worth contacting your local Adult Social Services Department or your GP to see what help may be available in your local area.

CARE NEEDS ASSESSMENT

Everyone who develops a care need is entitled to have those needs assessed to define what type and level of need they have and to make sure that an appropriate care regime is properly defined.

You are entitled to have your needs assessed by a Local Authority regardless of how much assessable income and capital you have. The potential advantage is that your needs will be assessed by experts and this can be very helpful in determining the type of care and support which you require and an appropriate location in which to receive it.

If it appears that any element of **registered nursing care** will be required, an assessment of your care needs should be carried out by the NHS. This is a three-stage process that starts with a Screening Checklist, which may proceed through full assessment using a Decision Support Tool, to an NHS Panel Decision.

An NHS Assessment should be completed as a matter of course where someone is discharged home or into a care home from hospital.

NHS FUNDING

If an NHS Assessment decides that you have care needs that can only be met by registered nursing care in a registered Nursing Home, you should be entitled to at least **NHS Funded Nursing Care**. This means the NHS will pay a fixed contribution towards your care.

To be eligible you must be living in a registered Nursing Home (rather than a registered Residential Care Home).

If your health needs are particularly severe, complex or intense, you may qualify for full NHS Continuing Healthcare. If you do, the NHS becomes responsible for meeting the full cost of your care including the costs relating to your accommodation.



You can access the NHS Checklist, the Decision Support Tool, and the full NHS Continuing Care Framework on the internet. If anyone is wondering whether you are eligible for NHS Funding, reading these, particularly the Decision Support Tool, will provide some guidance. We may be able to help clarify matters and we have a network of specialist contacts who most definitely can.

If you disagree with an NHS Assessment Panel decision, an appeal procedure is available. We have a range of specialist third party contacts who may also be able to advise and assist you further with this if required.

ATTENDANCE ALLOWANCE

This is a basic State Benefit that is generally available to people aged 65 or over who have developed a **need for care and support that has existed for 6 months or longer, and whose care and support is not fully funded by the NHS.**

It is paid at two rates; the **lower rate** or the **higher rate** depending upon the level of care and support you need.

Attendance Allowance will continue to be paid if you enter a residential care home as long as you continue to pay for, or contribute towards, the cost of your care. If your Local Authority or the NHS takes over the funding responsibility, Attendance Allowance will cease to be paid.

Further information on State Benefits is readily available from Citizens Advice and agencies such as Age UK, The Alzheimer's Society and others. We can introduce you to expert, third party State Benefit Consultants if you require particularly complex or detailed advice.

LOCAL AUTHORITY FINANCIAL SUPPORT

If your assessable capital amounts to more than the **"Upper Threshold"** (in England) you will not qualify for Local Authority finance until your capital drops below this amount.

If your assessable capital is less than the **"Lower Threshold"** (in England) your Local Authority will become responsible for meeting the shortfall between the cost of your care and your assessable income.

If your assessable capital is between these thresholds you will be required to contribute towards the cost of your care out of your capital.

The **"Tariff Income"** calculation means that you will be required to contribute at the rate of £1 per week for every £250 (or part thereof) of assessable capital you own between the two Threshold limits.



For example, if your assessable capital is £20,100, you will be required to pay £24 per week towards your care costs.

	£
Value of Assessable Capital	20,100
Less Lower Threshold	-
	14,250
	5,850
Divide £5,850 by £250	23.4
Gross up to 24	
Multiply by £1 per week	
Assessed Weekly Contribution to Care Costs	£24

If your assessable capital is worth more than the “Upper Threshold” you will have to meet the full cost of your care from your assessable income and your assessable capital unless you have complex and intense medical needs and you qualify for NHS Funding.

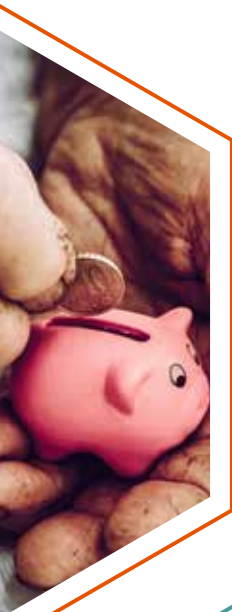
The important word is “**assessable**”. Most incomes and assets are assessable, but some are not. If you are in doubt, you can request your Local Authority to carry out a Financial Assessment to establish whether you are eligible for financial assistance.

Generally, if you move to a different area, it is the Local Authority covering the area in which you lived when you first developed a care need that remains responsible, not the one covering the area that you move to.

ASSESSABLE INCOME & CAPITAL

The key exemptions which are available in many cases are probably:

- The local authority must let you keep a minimum amount of income per week to spend as you wish. This amount is known as the **Personal Expenses Allowance** and you cannot be asked to spend this Allowance to meet your care costs.
- Whereas a State Pension is assessable in full, **50% of an occupational or private pension is exempt** from assessment if it is redirected to a spouse or civil partner. Very often one spouse has a significantly higher pension income than the other and this exemption can be very important to help protect a spouse who has a low income if the one with the higher pension benefit requires care.
- Any income you receive from a trust is probably, but not necessarily, assessable and whether or not the value of **capital held in trust** is assessable can be complicated. Our team includes qualified Trust & Estate Practitioners who have a full understanding.



- Whereas most forms of bank or building society account and investment are assessable, the **surrender value of a life insurance policy**, including certain forms of Insurance or Investment Bond, is not. It is important to note that the word Bond is used to describe many different forms of investment and many "Bonds" are not exempt.
- The **value of a home** is not included in the means test if the property has been continuously occupied by:
 - The person needing care (i.e. care is provided in your home)
 - A spouse or civil partner
 - A relative aged 60 or over
 - A relative who is "incapacitated"
 - A child aged under 16

The value of your home is also exempt if your entry into residential care is expected to be temporary. It is also exempt for the first 12 weeks of permanent residential care.

INTENTIONAL DEPRIVATION OF INCOME OR CAPITAL

If you convert assessable income or your capital to a potentially non-assessable form or if you transfer ownership of it out of your name, your Local Authority may assert that you did this with the intention of reducing the amount you pay towards your care costs.

If the Local Authority can show that you intentionally deprived yourself of income or capital it can effectively ignore what you did and assess the income or capital, even if it is now owned by someone else.

This is another complex area but, broadly, **the test is based upon the foreseeability of a care need and the intention which you had in your mind at the time you took the action.**

The Statutory Guidance which governs the assessment of income and capital states that, if you converted or transferred ownership of an asset at a time when you were fit and healthy and care was not foreseeable, then it is unreasonable for your Local Authority to decide it was intentional deprivation.

The Guidance also states that an intention to avoid care charges must be a significant factor, or the only reason, behind your decision to take the action you took.

If it intends to take a converted or transferred asset into account, the Local Authority must justify its decision. If you disagree with its decision there is an Appeal procedure.



If you are considering giving away ownership of your income and capital in later life, the key point to emphasise is that doing so could compromise your financial security, and your ability to control, or even influence the form of care you receive and where you receive it.

If your key objective is to leave your heirs an inheritance, it may be possible to do this without compromising your independence and financial security. Our advice will almost always aim to achieve both as far as is feasible. However, as long as we are happy that you fully understand the implications, we will tailor our advice to suit whatever objectives you have in mind.

THE VALUE OF INCOME AND CAPITAL

Generally, the assessable value of an assessable asset is its **open market value**.

In most cases, the value of a savings account or investment is easy to establish. However, the rules relating to the valuation of a share in an asset that you own jointly with someone else are very complex.

We very often see cases where the rules are not applied correctly, the asset is assessed at a higher value than it should be, and someone ends up contributing more than they should towards the cost of their care. We are experienced in reviewing and correcting Local Authority Financial Assessments where appropriate.

12 WEEK PROPERTY DISREGARD

If the value of your home becomes assessable because you leave it to enter permanent residential care, and your other assessable capital is worth less than the "Upper Threshold", the Local Authority must disregard the value of your property for **12 weeks**.

In this situation, the Local Authority should fund the first 12 weeks of your care. However, it will only do so if a formal needs assessment confirms that you do need to move into a residential care home. If the Local Authority does not think that this is necessary, it can refuse to pay.

DEFERRED PAYMENT AGREEMENT

If, after the first 12 weeks of permanent care, you have been unable to sell your property, and your other assessable capital is worth less than the "Upper Threshold", the Local Authority may be required to offer you a loan to pay your care fees. Generally, this is arranged through a "Deferred Payment Agreement".

This means that your Local Authority will pay your care costs on your behalf in exchange for a legal charge over your property. That, in turn, means that **the Local**



Authority will have the first call on the sale proceeds of the property when it is ultimately sold. It will be repaid first, before you or anybody else who may be interested in the property, receive anything.

The Local Authority will charge interest on the debt, though the rate is capped by central government and would be expected to be significantly lower than an Equity Release loan arranged with a commercial lender.

RENTING OUT YOUR PROPERTY

Generating income to meet your care fees by renting your property may be a viable alternative to selling it. However, renting will mean that you or someone else takes on various legal obligations and inevitably costs will be involved.

You also need to consider the possibility of tenants failing to pay rent and how you will meet maintenance and insurance costs, particularly if no rent is being received. The income and capital gains tax implications also need to be fully considered and understood.

If you do need to move into residential care and no one else remains living in your home, it is **usually more sensible from a financial perspective to sell** the property rather than to rent it out.

EQUITY RELEASE

Equity Release involves you borrowing money against the value of your property in exchange for the lender taking a formal legal charge over it. The loan, and the interest if you wish, do not need to be repaid until your death or until the property becomes vacant because you have entered permanent residential care.

This is very similar to a Deferred Payment Agreement, but Equity Release is arranged through a Bank or Building Society rather than your Local Authority and is likely to be considerably **more expensive**.

If an Equity Release arrangement is already in place at the point you require care, this is likely to mean that your Local Authority cannot offer you a Deferred Payment Agreement.

Raising funds to pay for care through Equity Release is **only likely to be sensible if no one else occupies your property and if your key objective is to ensure that you and your spouse or partner both receive care in your home** rather than a care home.

We are fully qualified and very experienced in Equity Release Advice, and we will be very pleased to discuss the option with you.



OTHER IMPORTANT POINTS RELATING TO PROPERTY

If your home becomes vacant for whatever reason, it is very important that your home insurance policy is checked because **many policies cease to cover the property if it remains vacant** for a set period, often 31 days. If this is the case, it is usually necessary, and possible, to arrange cover but your insurance company must be informed or your policy may be invalidated, and alternative cover must be rearranged if necessary.

It is also sensible for someone to visit the property periodically and to check that **essential maintenance** is kept up or the property condition, and therefore its marketability and value could deteriorate.

THE LOCAL AUTHORITY RATE & THIRD PARTY TOP-UPS

If, for whatever reason, your Local Authority becomes responsible for paying your care fees, it will have a standard rate that it is prepared to pay for your care. If the Local Authority standard rate is less than the full cost of your care fees, your care provider may require someone else to top-up what the Local Authority pays.

In general, when it assesses how much it is required to pay towards your care costs, **your Local Authority will take your assessable income into account**, and it will only pay the difference between your income and its standard contribution rate.

For example, if the Local Authority's standard rate is £500 per week and your assessable income is £300 per week, the Local Authority will expect to contribute only £200 per week towards your care costs. If the fees at your chosen home are £750 per week, then even if you contribute all of your income (including your Personal Expenses Allowance) and the Local Authority pays its full standard rate, there will still be a shortfall of £250 per week, and the care provider may require a top-up of this amount.

	£
Local Authority Standard Weekly Rate	500
Less Assessable Income	-
	300
Local Authority will contribute	200

And the weekly shortfall will be:

Weekly Care Fees	750
Less Local Authority Contribution	-
	200
Less Assessable Income	-
	300
Weekly Shortfall	250

In this situation, it is **very important that the third party who is asked to fund a top-up takes professional advice**, so they fully understand the obligation they are taking on.



If no one is able or willing to fund the required top-up, the Local Authority should offer a choice of homes that will provide the care you need at its standard rate. If none are available, the Local Authority should be prepared to meet the full cost of whichever home is deemed to be appropriate to your needs.

THE OPTIONS AVAILABLE TO SELF FUNDERS

If you are responsible for funding your care costs, there is probably a 'best way' to do it.

Unless you are extremely fortunate, it is very **unlikely** that your income will be sufficient to meet your care costs in full, and you will likely need to use your capital in some way.

With careful planning it may be possible to ensure that your money does not run out, or to ensure that you protect your capital to some extent, thereby guaranteeing at least some amount of inheritance for your chosen heirs.

Your Options are, broadly:

1. Hold Cash

Anyone who needs care should, almost certainly, hold a sensible amount of cash as this is the only way a care provider will accept payment. Cash is also the best way to ensure that your plans can be quickly adapted if your care needs and expenses change, as they often will.

The **advantage of cash is that it is quickly and easily available**. The disadvantage is that the rate of interest earned is very unlikely to keep pace with increases in care costs, particularly over a period of years. Holding too much cash could compromise your ability to fund your fees for the remainder of your lifetime.

We can help you quantify how much cash should be held and identify appropriate accounts to hold it in.

2. Hold Investments

The reason for holding anything other than cash is to potentially achieve a higher rate of return than interest rates. This can be very important if you anticipate that you may need to pay care costs over a period of years. The greater the value of capital you own, probably the more appropriate investing at least some of it may be.

It is vitally important that any investments have a **sensible risk profile** because significant falls in the value of your capital could have a disastrous impact on your financial independence and your ability to meet care costs.

We can identify whether you need to, or should, consider investing to meet your care fees. If we think this is advisable, we are very experienced in designing low cost, tax-efficient and sensible investment strategies which will meet your requirements.



3. Buy a Care Fees Plan

Both holding cash and investing may, depending on how much capital you own, carry the risk that your money will run out. In many cases, the best way to reduce or remove this risk is to purchase a Care Fees Plan to **plug the gap between your income and your care costs**.

Essentially this means giving an insurance company an amount of your capital in exchange for the insurance company guaranteeing to pay your care provider a regular income, on a monthly basis, for the rest of your life.

The general idea is that this monthly payment will meet your care costs, your money can never run out, and you know exactly how much capital you are left with after meeting those costs, whatever they are.

The monthly income can stay at the same level for life or be inflation-linked.

The **income will cease on your death** and the biggest financial risk is that your death occurs before your estate has recouped the money spent on purchasing the plan. This risk may not worry you at all, particularly if you are not concerned about leaving an inheritance behind you. If it does concern you, the risk can be reduced by building in insurance protection.

The cost of a Care Fees Plan depends upon your specific circumstances; it is driven by **your age, your state of health and the amount of monthly income you need to generate**. The younger and healthier you are and the higher the income required, the more costly it will be.

Because every plan is individually underwritten, it is impossible to establish the cost without going through a medical underwriting process. This involves completing a simple application and the insurance companies obtaining a report from your GP. It usually takes around six to eight weeks to complete the process.

Costs can be significantly reduced if the monthly income is "deferred" so that rather than commencing immediately, it is set to start at a future date. A Deferred Care Fees Plan can provide a relatively low cost "backstop" in some situations.

This option is **likely to be suitable if your key objective is to ensure your money does not run out**. These plans can be particularly tax-efficient if your estate is liable to inheritance tax. They can also work well if you want to protect capital in case a spouse or partner might also develop care needs or if you want to ensure you leave an inheritance for someone behind you.

Advising on these plans is a highly specialised field and Advisers are required to hold specialist qualifications before they do. We hold all the required qualifications and more and we are very experienced in providing this advice.



4. A combination of the above

The best option may be a combination of all three options. Holding a sufficient, easy to access amount of cash is always important. You could buy an annuity to meet some of the cost and make up the balance from investments or buy a deferred plan and use cash or invested capital to meet fees in the meantime.

Although we don't have a crystal ball and we cannot work out in advance what exactly the best option is with any certainty, our qualifications, years of experience and our carefully developed, methodical process ensures that our clients receive good quality, impartial advice at a reasonable cost.

AND IF YOU LOSE THE ABILITY TO MAKE DECISIONS

Losing the ability to make decisions about your finances, or how and where you would like to receive care, can make even the best-laid plans fall apart. That is unless you have appointed someone that you trust to pick up the decision making on your behalf.

If you do lose the ability to make your own decisions and no one has been appointed in advance, **your finances will be effectively frozen** and the State will make whatever decisions it thinks are in your best interest until somebody is appointed.

The only way you can retain any degree of control against this outcome is to appoint one or more people you trust to act as your Attorney by making a **Lasting Power of Attorney** whilst you have the capacity to do it.

Two forms of Lasting Power exist, one to cover decisions relating to your Property & Affairs and the other to cover decisions relating to your Health & Welfare. You do not need to make both, but we strongly recommend that you do.

Acting as an Attorney is an onerous, fiduciary responsibility and appointing one means you are placing a very high degree of trust in someone to act in your best interest. Attorneys are independently monitored by the Office of the Public Guardian and ultimately by the Court of Protection, but this protection is not infallible. If you do not feel able to ask, or you do not sufficiently trust, a family member or friend, you could consider appointing a Professional to act.

If you have not appointed an Attorney and you do lose the ability to make decisions, someone will need to **apply to Court** for approval to act as your **Deputy**. The application and approval process are **lengthy** and can be **expensive**, particularly as professional assistance may be required. Ongoing costs of Court Supervision are also likely to be significantly higher than those incurred by an Attorney.

We do not act as Attorneys or Deputies because, if we are also responsible for advising on your finances, acting as such would result in a conflict of interest. However, we do have a very good understanding of the laws, regulations, and standards which they must observe in relation to managing a person's finances. We act for numerous Professional and Lay fiduciaries of both forms.



AND IF YOUR MONEY RUNS OUT

Despite everyone's best efforts your financial position may be such that if you live long enough your money may run out.

If this happens then as long as you have eligible (i.e. legitimate) care needs, **your Local Authority has a legal responsibility to ensure that you continue to receive appropriate care and support, in an appropriate setting** and to meet the cost of it.

Whilst a Local Authority will ensure that the care you receive meets your needs, they are legally able to cap the amount they will pay.

If your care fees are higher than the amount the Local Authority is prepared to pay, your care provider may be happy to continue providing you with the same level of care for a lower price, particularly if you have been a client of theirs for a considerable time.

Other alternatives may be that you are asked to move to a smaller or less desirable room or that someone makes up any shortfall with a third party contribution.

You should check the care provider's position before engaging them to provide your care. Any contract they offer you should clearly state exactly what will happen if you can no longer afford to pay fees at the level you agree as a self-funder.



PLEASE CONTACT US IF YOU NEED OUR HELP

We can help you make sense of the complex issues involved and we will act with sensitivity and understanding, and we are very pleased to offer any prospective client some time free of charge in the first instance.

If you need our help after that, we will confirm the work that we think is required along with our fees, in writing. You will not incur any costs until you or someone acting on your behalf has agreed to do so, also in writing.

We actively encourage you to involve a friend or family member in our discussions if you would like to but, if we are happy you have a full understanding, we do not, unlike some other Advisers, insist that you do.

CONTACT DETAILS

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