Planning for care

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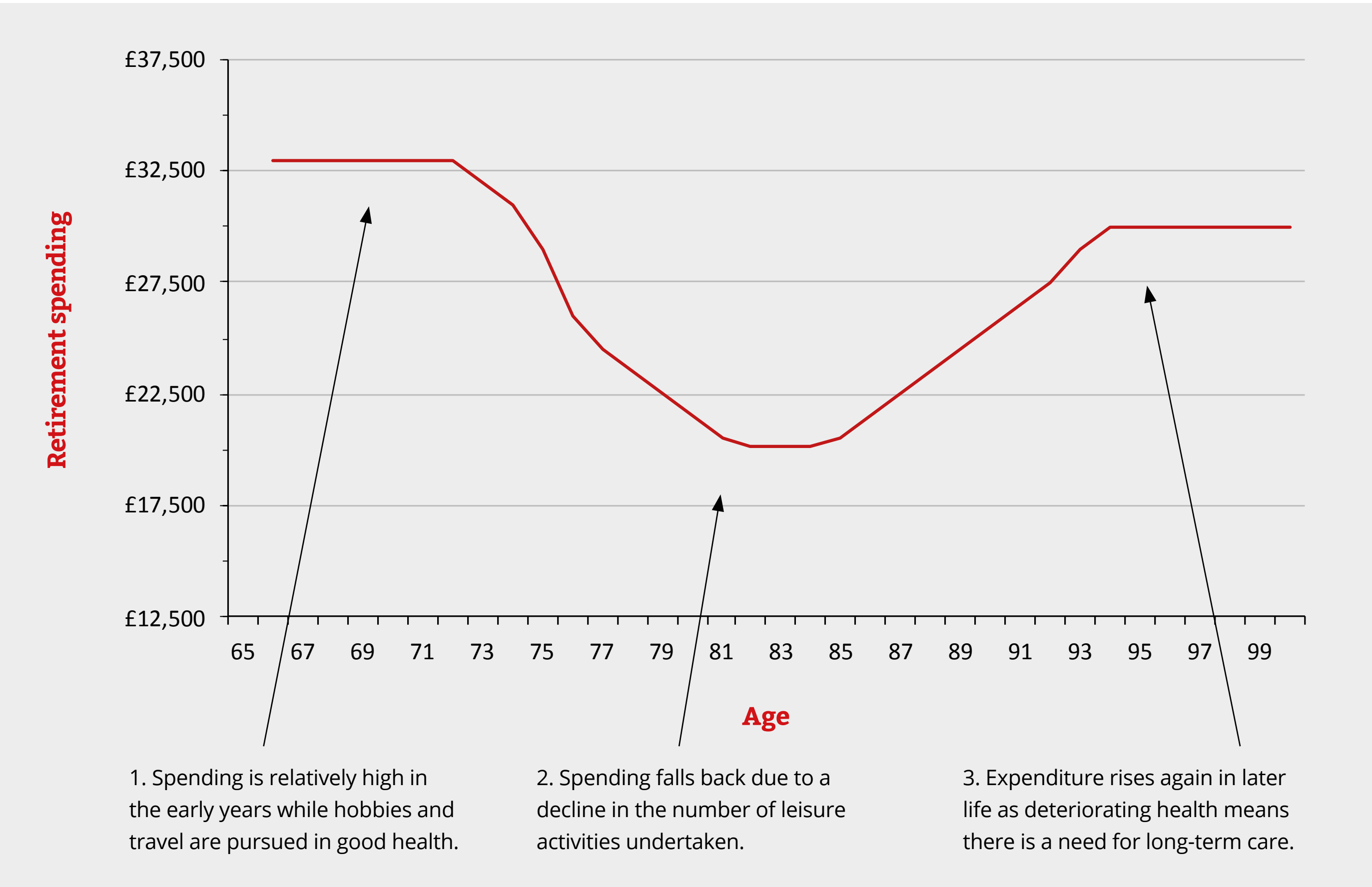
Many people have considered their retirement by the time they reach middle age, working towards building enough funds for a good quality of life and maybe holidays or exciting activities. Amongst this, it is easy to ignore the rather less inspirational possibility of needing long-term care. Yet with careful planning for this eventuality, you can avoid future stress for yourself and your family, leaving you free to enjoy your retirement.

Although there is a growing number of older people in the UK[1], very few over 55s prepare for the possibility that they will require long-term care[2]. However, financial planners often encourage preparation for a 'U-shaped' pattern of spending in retirement, as shown in this illustrative example.



Footnotes

1. https://www.ageuk.org.uk/globalassets/age-uk/documents/reports-and-publications/later_life_uk_factsheet.pdf

2. https://www.justgroupplc.co.uk/~/media/Files/J/JRMS-IR/news-doc/2019/2019%20Care%20Report%20-%20what%20reform.pdf

Types of care

There are various options and choices when choosing care, and the ideal solution for you is likely to be bespoke, to a degree. Furthermore, any needs identified or predicted now will probably alter, so the best approach could change over time. The key considerations are:

- Whether the individual wants to, or can, stay in their own home.
- The choice of carer, for example a family member or external professional.
- The cost and affordability of care.

Family care may suffice where somebody wants to remain at home and has relatively simple care needs. A family member simply provides help and support to enable the older relative to live comfortably at home. It is the cheapest form of care, although families are increasingly geographically spread, and career commitments can leave some people with limited time so it may not be a long-term solution.

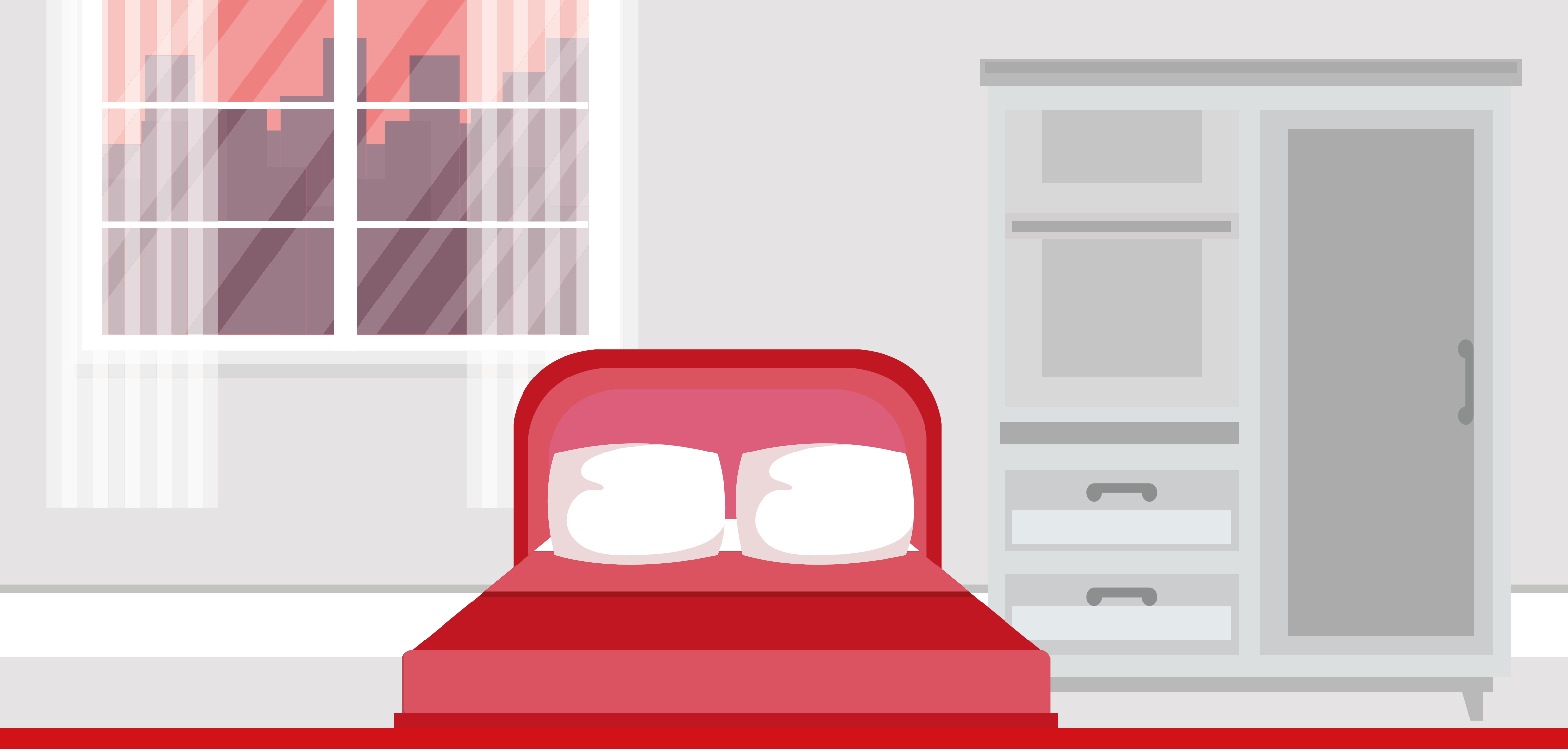
Where care needs are greater, but someone still wants to remain at home, **professional care at home** is likely to be required. This is where carers from a home care agency make visits, with the duration and frequency set according to needs. The carer is a trained professional, and costs can be high if frequent or lengthy visits are needed.

Sheltered housing is an alternative option where an individual does not want or need to remain in their own home. The emphasis is on supervision rather than care. Self-contained accommodation is provided, often with on-site or nearby key services to support independent living. As a result, sheltered housing is typically used where care needs are less intensive.

Residential care provides the greatest level of care and is suited to individuals who cannot remain at home. There is a distinction between:

- 'residential care' where care is delivered in a residential setting (rather than in someone's own home), and
- 'nursing home care' where a nurse must be present to provide medical care alongside basic day-to-day care.

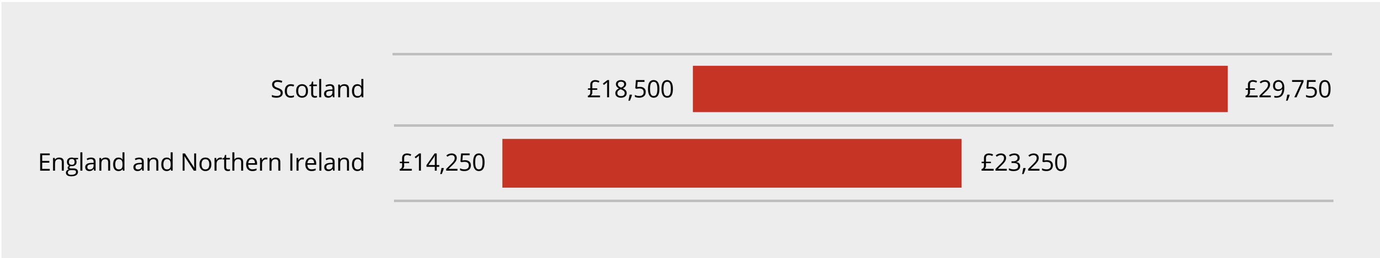
Nursing homes are generally more expensive, which may be a factor in finding an appropriate solution. Other considerations include the care home's location, available budget, expected future care needs and any special requirements.



Costs of care

The costs of care can vary substantially, which reflects the wide variety of care available.

The State may meet some costs where somebody does not have sufficient income to pay their care costs, but in all parts of the UK the financial assistance is removed where savings and investments exceed certain limits. In Wales for 2022/23, this is £24,000 for non-residential care or £50,000 for residential care. For the rest of the UK, there is a sliding scale between which support begins to be reduced before being removed altogether if it exceeds the upper limit:



All of an individual's assets are considered, including shares of jointly owned assets. However, there are some important nuances, including where a spouse or partner still needs to reside in the family home.

One notable exception is investment bonds, which are treated as life insurance policies and therefore may not be counted. However, this is at the discretion of the relevant local authority.

'Deliberate deprivation' rules also mean it is not possible to simply invest in an investment bond or give away assets to avoid paying for care.

Due to the relatively low threshold for means-testing, most people will need to meet care costs privately, at least in the early years. Precise costs will depend on the care required, but the average cost for a place in a care home in the UK is about £35,000 per year, or £50,000 per year if nursing care is required[3].

It is also important to acknowledge that there are significant variations across the UK, with the highest costs in London and South East England.

Footnotes
3. https://www.moneyhelper.org.uk/en/family-and-care/long-term-care/care-home-or-home-care

Meeting the costs

State benefits

State benefits may provide a safety net to support those in need of care, as well as potentially their caregivers.

Some benefits are paid irrespective of other sources of income and capital, whereas some are means-tested and therefore only paid depending on financial circumstances. State benefits is a very broad topic, and organisations such as Citizens Advice can help ensure all the benefits someone is entitled to are claimed.

Local authorities may provide a means-tested Disabled Facilities Grant to help with the costs of modifying the home, such as installing ramps or handrails.

When considering the availability of State benefits, it is important to be mindful of how other types of financial planning can affect eligibility. For instance, generating a lump sum from an equity release plan may put somebody over the savings limit to meet their own care costs.

Long-term care insurance

There are a small number of financial products specifically designed to meet care costs where an individual will be required to pay these personally. All financial products come with risks and disadvantages you should be aware of, and we recommend everybody seeks independent financial advice to ensure any policy they take out is suitable.

Immediate needs annuity	When somebody has an imminent need for care and is unable to perform one or more 'activity of daily living' (such as getting dressed without assistance), they may be able to purchase a policy to begin meeting costs straight away. The policy will continue paying out until death and, importantly, the payments are tax-free if paid directly to the care provider. It is possible to tailor the format of the payments, for example to include indexation to meet the rising costs of care fees over the years.
Deferred care plans	Usually much lower cost than immediate needs annuities, deferred care plans pay out after a pre-set number of months or years. As a result, they are best suited for people who can afford care for a limited time but would need help if care is required beyond that period.
Pre-funded policies	This is a type of insurance that pays out if care is needed at home or in a care home. Some people may still have a pre-funded policy, but there are currently no providers offering them.

Other sources of capital

In addition to these care-specific products, the value of the family home and pensions might also be sources of funds to pay for care for some people.

- Equity release allows access to the value of a homeowner's property to generate funds that can meet care costs. Our separate 'Equity Release Guide' contains more details on planning with equity release, the types of products available, and whether it would be beneficial to seek financial advice in this area[4].
- Pensions, in theory, are intended to provide income for retirement. The extent to which they may be able to help with care costs depends on whether money has previously been taken from the pension, how it has been accessed and what part it plays in an individual's wider financial planning. Like equity release, this is a complex area where professional advice should be sought.

Footnotes
4. Where an equity release product, such as a lifetime mortgage is considered, it is important to understand the features and risks, and to ask for a personalised Key Features Illustration.

Other considerations

In addition to costs, it is also vital to make provision in case mental capacity is lost and, with it, someone's ability to make sound decisions about their finances and welfare.

A legal document called a **power of attorney** gives a trusted relative or friend the legal power to act on someone's behalf. They are commonly drafted alongside wills and protect an individual's interests during their lifetime. We have a separate guide on the importance of wills and lasting powers of attorney that explains this in more detail.

Seeking advice

The care system can be complicated and difficult to navigate. Long-term care is a specialist planning area and Holden & Partners has Later Life Advice Specialists who can help you consider your options and find the best solution, based on a range of factors, including affordability.

If you answer yes to any of the following, it is likely that you would benefit from receiving financial advice to help plan for care fees:

Yes	No	
☐	☐	Are you in the process of arranging care for a friend, family member or for yourself?
☐	☐	Are you unsure of the likely costs of care and how much you would have to contribute?
☐	☐	Do you find the care system difficult to navigate?
☐	☐	Are you worried about the impact of care fees on your retirement plan?

If you would like to discuss your own long-term care plans or plans for a family member, please do not hesitate to get in touch.

Content of this guide is for your general information and use only and is not intended to address your particular requirements. It 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 this guide. Thresholds, percentage rates and tax legislation may change in subsequent finance acts.

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