



## **Funding Long Term Care**

The need and impact of long term care is one of the uncertainties in financial planning.

If you have insufficient income to pay for your care, the level of local authority funding depends on your other assets. If you live in England and your total assets are less than £23,250, including the value of your home, then the local authority will give assistance towards the cost of care. If your assets are less than £14,250 this amount is disregarded in assessing the local authority contribution to your care.

If, however, your assets are over £23,250 the cost of care will need to be met by you as an individual. There is some assistance available as attendance allowance and carer's allowance are not means tested and an individual who needs nursing care may qualify for an NHS Registered Nursing Care Contribution.

In terms of valuing your assets there are some exclusions. For example, if you are living with a spouse the home will be excluded if your spouse is living there. Any investment in a Life Insurance Investment Bond is also excluded.

Note that there are deliberate deprivation rules which mean that where action has been taken to exclude assets (e.g. by giving them away), the local authority has the power to include these assets in the financial assessment.

If an individual is self funding their care, the costs of a care home can be quite significant. The average cost of a residential care home is £25,000 a year and nursing home care fees average £35,000 a year (although fees of up to £50,000 per annum are not unknown). A recent research publication from the Local Government Intelligence Unit has shown that of the average of 41% of elderly people who self-fund their long term care, 25% run out of money and end up being funded by their local authority. Apart from running out of money, a consequence of falling back on the local authority is that you might well have to move to a different home which provides cheaper care facilities.

Of course the time spent in a care home is not something which can be controlled. Partnership who are one of the specialists in products to provide income to support care costs have recently issued some data on time spent in care. This shows that the average life expectancy for someone who is self-funding their care is 4 years, however, 1 in 8 go on to live for 8 years or more.

For individuals who are self-funding there are a number of ways to pay for their care. I have summarised the six main ways below:

**The Deferred Payment Scheme** - This is an agreement with the local authority to defer part of your payments. The part paid by the local authority builds up as an interest free debt against your property. It's down to your local authority if they agree to this approach or not.

**Rent the Property Out** - If you have property it may be feasible to rent it out and put the rental income towards the cost of care.

**Equity Release** - It may be possible to release capital or income by using the value of your property. You will usually have to pay interest on any capital/income that you do release however.

**Cash** - You may simply put your capital into a savings account and then put the interest towards the cost of care. If the interest doesn't meet the amount you need you may end up having to use the capital.

**Invest** - You could look to make your capital work harder in order to produce a greater return than if it were left in cash. You need to make sure that you invest in the right sort of areas as not all will be suitable for producing a regular income stream.

**Buy Yourself an Income** - You could use some of your capital to buy yourself a guaranteed lifetime income payable monthly. This would help to solve the care funding problem as well as protect remaining capital. The amount of capital needed varies according to health so the first step is to find out the cost for you.

All of these options have their advantages and disadvantages. As the cost of care can be significant and can quickly erode an individual's estate, it is one of the events in life where it is important to seek professional advice. As a specialist in Long Term Care advice, I would be very happy to have a no obligation chat if this is an area where you feel you would like some assistance.

The sites below have some useful resources online:

<http://www.ageuk.org.uk/home-and-care/care-homes/>

<http://www.payingforcare.co.uk/>

Will Mowatt

E-mail: [will@mowattfp.co.uk](mailto:will@mowattfp.co.uk)

Call: 01347868196

[www.mowattfp.co.uk](http://www.mowattfp.co.uk)