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AN INTRODUCTION TO

➤ Long-term care

GETTING TO GRIPS WITH THE BASICS



- The cost of long-term care
- Government support for care fees
- Your property and funding your care

- Gifting your property
- Proposed changes to the care system
- Top tips



In the UK, we are enjoying increasingly longer life expectancy because of higher living standards and advances in healthcare. Combined with a declining birth rate, this means our population is ageing; the Office for National Statistics (ONS) predicts that by mid-2045 the number of people of pensionable age (aged 67 plus) will have increased to 15.2 million, an increase of 28% on the level in 2020¹. While many older people can now expect to live to an advanced age in good health, it is inevitable that a proportion of this group will require additional care as they grow older – which comes at a cost.

With frequent legislative changes and rising care costs to think about, planning for your long-term care needs now could be essential to protect yourself and your family down the line.

THE COST OF LONG-TERM CARE

The cost of staying in a care home depends on where you live and the type of care you need. In 2020, the average cost of a residential care home in the UK was almost £35,000 a year, rising to over £48,000 when nursing care was included². Costs can be even higher for full-time care at home, so it may make financial sense to move into a care home.

These costs may not be all-inclusive – day trips, entertainment and other services may cost extra, so be sure to check with the care home exactly what's included in their fee.

For those considering at-home care, this could cost between £20 to £30 per hour (meaning that two hours of care a day at £25 an hour could cost around £16,800 per year).

However, you may be entitled to support from your local authority to help you with these costs.

GOVERNMENT SUPPORT FOR CARE FEES

Government funding for care varies across the UK. The amount you receive will depend on the capital you have, but the capital limits are different depending on where you live. Your income and capital will be assessed by your local authority, who will take into account:

- Property (although this will be disregarded under certain circumstances)
- Money held in bank accounts or building societies
- Investments
- Premium bonds
- Cash
- All pension and investment income including any benefits you're eligible for (even if you're not claiming them)

ENGLAND AND NORTHERN IRELAND

- **Under £14,250:** you will be entitled to local authority support. You won't have to contribute from your capital (but a third party may need to pay top ups if the care cost is above the local

authority tariff rate), but you will be expected to contribute from income in excess of the personal expenses allowance (PEA) which is currently £25.65 per week in England and £28.01 in Northern Ireland.

- **Between £14,250 and £23,250:** you will be entitled to some local authority support. You will have to contribute some capital (£1 per week for every £250 of capital between the lower and upper threshold), as well as income in excess of the PEA.
- **Over £23,250:** you will be obliged to pay for the full cost of your care.

If you require residential care in a care home, you may also be eligible for the NHS-funded nursing care which is £209.19 per week in England and £100 per week in Northern Ireland.

Personal home care in Northern Ireland is free if you have been assessed as needing it, irrespective of your financial circumstances.

SCOTLAND

The capital limits differ in Scotland, as shown below:

- **Under £18,500:** you will be entitled to the maximum level of local authority support. You won't be expected to contribute from your capital, but you will be expected to use your income to help fund your costs.
- **Between £18,500 and £29,750:** you will have to contribute £1 per week for every £250 of capital between the

lower and upper threshold and you will be expected to use your income to help fund your costs.

- **Over £29,750:** you will be obliged to pay for the full cost of your care. If you have under £29,750 in capital, but your income is considered sufficient to fund your care, you will also have to pay all of your fees.

However, if you are aged over 65 and require residential care in a care home, you may also be eligible for the following NHS-funded nursing care. For 2022-23 these are:

- £212.85 for personal care
- £95.80 for nursing care
- £308.65 per week for personal and nursing care

Like Northern Ireland, personal home care is free in Scotland if you have been assessed as needing it, irrespective of how much capital you have.

WALES

In Wales, the capital limit varies depending on whether you're paying for non-residential or residential care.

Non-residential care: if you have less than £24,000, you won't be expected to use this to pay for your care. If you have assets over this limit, your local authority can charge you in full for the cost of your care up to the maximum weekly charge of £100.

Residential care: if you're going into permanent residential care, the capital limit increases to £50,000. As you are leaving your property, this may well be included in your means-tested assessment unless certain criteria are met.

There is currently a Minimum Income Amount in Wales of £33.99.

If you are entitled to NHS-funded nursing care, the rate in Wales is £179.97.

NHS CONTINUING HEALTHCARE

Some people with long-term complex health needs qualify for free social care arranged and funded solely by the NHS. This is known as NHS continuing healthcare and can be provided in a variety of settings outside hospital, such as your own home or in a care home.

YOUR PROPERTY AND FUNDING YOUR CARE

Your property may be included as capital

in your local authority's assessment, but not necessarily. For those receiving home care, the value of your home will not be counted. If you require residential care, your home will be discounted from the means test if:

- Your spouse, partner, former partner or civil partner lives in the property
- An 'incapacitated' relative lives in the property
- A relative over 60 lives in the property
- A child under 18 lives in the property
- Your care needs are temporary
- You are in your first 12 weeks of needing permanent care

If you do need to sell your property, this 12-week deferment gives you time to find a buyer for your property and complete the transaction before you have to start paying fees. During this period, your local authority should assist you with your care fees.

GIFTING YOUR PROPERTY

If you are thinking of giving your home away, for example to your child or another relative, it may still be counted in the means test. This is because your local authority may count it as 'deprivation of assets' – i.e. they may decide you have deliberately gifted your property for the sole purpose of discounting it from their assessment. As a result, you may then have to pay for your care as though you still owned your home.

PROPOSED CHANGES TO THE CARE SYSTEM IN ENGLAND

In September 2021, the Government set out plans to reform adult social care in England, to be funded through the Health and Social Care Levy.

The Government plans to introduce a new £86,000 cap, from October 2023, on the amount anyone in England will have to spend on their personal care over their lifetime. The cap will apply irrespective of a person's age or income. Any money paid by a local authority towards meeting a person's eligible care needs will not count towards the cap.

In addition, the means test for accessing local authority funding support is set to become more generous from October 2023, with the upper capital limit increasing from £23,250 to £100,000 and the lower capital limit increasing from £14,250 to £20,000.

¹ONS, 2022, ²LaingBuisson 2021

According to Laing and Buisson, in 2020, the average cost of a residential care home in the UK was almost £35,000 a year, rising to over £48,000 when nursing care was included



WE'RE HERE TO HELP

If you have any questions about the content of this guide, we're only a phone call away. Get in touch to discuss the best options for your personal circumstances.

➤ Top tips

MAKE SURE YOU TAKE THE TIME TO DISCUSS YOUR PLANS WITH YOUR FAMILY

Long-term care is expensive, especially if you are paying the entire cost yourself. Paying for care fees can have an impact on the inheritance you're able to leave behind for your family, particularly if your property is included as capital in your means-tested assessment.

ARRANGE A LASTING POWER OF ATTORNEY (LPA)

Putting in place a power of attorney can give you peace of mind that someone you trust is in charge of your affairs. There are two types of LPA; a personal welfare LPA and a property and financial affairs LPA.

CHECK YOUR ELIGIBILITY FOR NHS FUNDING

As well as local authority funding, you may be able to get free NHS continuing healthcare (CHC) if you have a disability or complex medical problem. If you have medical needs that you believe may qualify for this support, you should get an assessment to find out if you're eligible.

LOOK INTO CLAIMING ANY BENEFITS YOU MAY BE ENTITLED TO

There are certain non-means-tested benefits that you may be able to apply for to help you fund your care. Attendance Allowance, which helps to pay the extra costs of having somebody to look after you if you are disabled, as well as the Personal Independence Payment (PIP), could both help you with care costs if your health needs are great enough.



GET TO KNOW THE AVAILABLE OPTIONS

If you are self-funding your care, it's important to understand all the options available to you so you can make an informed decision. Downsizing or equity release can provide you with a lump sum to fund your care, for example, while you may also be able to use money from savings and investments. Another option could be entering into a 'deferred payment agreement' with your local authority, whereby they will lend you the money you need, which you can delay repaying until you decide to sell your property, or until you die.

CHECK YOUR INSURANCE POLICIES

Before rushing into making arrangements for funding your care, you should check whether you may be able to claim on an existing insurance policy, for example critical or terminal illness cover or a long-term care policy (these are no longer available but you may have taken one out in the past).

MAKE SURE YOU UNDERSTAND THE COSTS INVOLVED

We have provided a very rough estimate in this guide, but there are huge regional differences in care costs, and the type of care you require will have an impact on what you will ultimately have to pay. Understanding what your care might cost where you live will help you to more effectively plan for your future.

START PLANNING AS EARLY AS POSSIBLE

Nobody likes to think about the possibility of requiring long-term care in later life but putting money aside just in case is a sensible option. We can work with you to put together a robust plan for funding your future, including potential care needs, so that you can rest assured that yourself and your family will be protected.

The value of investments and income from them can go down as well as up. You may not get back the original amount invested. Past performance is not a reliable indicator of future performance.

Warning statement

It is important to take professional advice before making any decision relating to your personal finances. Information within this document is based on our current understanding and can be subject to change without notice and the accuracy and completeness of the information cannot be guaranteed. It does not provide individual tailored investment advice and is for guidance only. Some rules may vary in different parts of the UK. We cannot assume legal liability for any errors or omissions it might contain. Levels and bases of, and reliefs from, taxation are those currently applying or proposed and are subject to change; their value depends on the individual circumstances of the investor. No part of this document may be reproduced in any manner without prior permission.