KJA Financial Services Ltd

A GUIDE TO

Long-term-care

Helping you to protect those assets that have taken a lifetime to accumulate

FINANCIAL GUIDE

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Planning for the care and support that you may need in later life

Whilst for many of us an increase in life expectancy may seem like good news, it has to be recognised that there are financial implications for those who live longer.

Few people take the time to plan for how they would meet the cost of paying for care should the need arise.

Care and support that you may need in later life

Long-term care is the care and support that you may need in later life due to frailty or disability. This care helps you carry out those normal daily activities which you may have difficulty with such as helping you get out of bed, get dressed or go shopping.

You can receive long-term care in your own home or in residential or nursing homes. Regardless of where you receive care, paying for care in old age is a growing issue for many people. As life expectancy continues to increase, more of us can expect to need some form of long-term care.

The average cost of care

The average cost of care in a residential home in the UK is in the region of £25,000 a year. In a nursing home, if nursing care is also required, this cost may rise to nearly £39,000 a year. These are average costs and in many care homes the cost can be more than double these amounts [1].

Even receiving long-term care in your own home can be expensive. Every week around 300,000 households receive nearly four million hours of home help, and people in England spend an estimated £420 million a year on privately paid home care services. [2]

Some state assistance to help

The government does provide some state assistance to help with the costs of long-term care. However this assistance is means-tested and you will be assessed on what personal savings, property and other assets you may own. Once this assessment is done, you will be told whether or not you qualify for state support. In many cases, people do not qualify for enough support to cover the full cost of the care they need.

Research shows that more than 40 per cent of people going into a residential care home will have to pay all or most of the cost themselves. In England, if the total value of your assets is less than £14,250, the government must ensure that your assessed care needs are paid for [3].

Paying for the full cost of long-term care

However, you will still be expected to contribute all of your available income, less a small amount for personal expenses, towards the cost of long-term care. If your personal assets are more than £23,250, you will normally be expected to pay for the full cost of long-term care yourself, although you may still be entitled to some state benefits that are not means-tested [4].

What insurance solutions are available to help you cover the costs of long-term care?

If you don't qualify for state support, there are a range of financial products and solutions that could help you fund your long-term care needs [5].

It is difficult to assess how long you will need care for and therefore difficult to understand how much money will be needed. The national average stay in a residential care home is two years but research has shown that people who self-fund can live an average of four years in a care home. One in ten residents live over 8 years in care [6]. It is important to note that paying for care can be expensive and in some cases people run out of money while still needing care. In this case the government will take over your long-term care needs although your situation may change due to the constraints of government funding for care. For example you may have to be moved to another residential or nursing home.

The following insurance products give an idea of the alternative options for funding long-term care that are available. Before you decide, you should seek professional advice to get more information.

For people in care or needing care now

Immediate Care Plans – pay a guaranteed income for life to help cover the cost of your care fees in exchange for a one-off lump sum payment. These plans give you and your family peace of mind. You can use whatever money or assets you may have left over after taking out the immediate care plan for any purpose – for example, you may want to leave it to your family.

Equity Release Plans – if you own your home, you can secure a loan against your property to release some of its value. The loan can then be used to help pay for care – either for yourself or for a relative needing care. The amount you can borrow will depend on your age and the value of the property. Interest is added to the loan on a monthly basis, and the outstanding balance is repaid when the property is sold or when the person in care passes away.

Using Equity Release Plans with Immediate Care Plans – some insurers will allow you to fund Immediate Care Plans through home equity if you don't have enough cash immediately available. This means money will be loaned from your insurer and used to purchase the Immediate Care Plan. Like an Equity Release plan, the loan plus interest is repayable when the property is sold or when the person in care passes away.

For retired people not yet needing care

Taking advice – if you are retired or nearing retirement, it makes good sense to take professional advice about ensuring your affairs are in order - for example, your will, and perhaps arranging a power of attorney. It also makes sense to insure your savings, investments and other assets take into account the possibility that you or your partner may need long-term care in the future.

For working people

Savings & Investments – if you are of working age you are in the best position to plan for your future care needs. Remember, one in three people will require care so the chances of you needing long-term care are very high, even if it seems a long way off. If you want to plan for meeting the costs of long-term care in later life, one option that is available to you is to save as much as you can, while you are earning, through investment plans, savings plans such as deposit accounts, Individual Savings Accounts and Nationals Savings accounts, and your pension. Money from these financial products can all be used to help pay for the cost of long-term care. ■

WITH PEOPLE LIVING LONGER THAN EVER BEFORE, THERE ARE NOW GREATER FINANCIAL IMPLICATIONS ON INDIVIDUALS HOPING TO SECURE THE BEST LONG-TERM CARE PROVISION. THE COST OF CARE COULD REDUCE YOUR PERSONAL WEALTH SIGNIFICANTLY AND ALTER ANY PLANS YOU MIGHT HAVE TO LEAVE AN INHERITANCE TO YOUR LOVED ONES. PLEASE CONTACT US FOR MORE INFORMATION, DON'T LEAVE IT TO CHANCE.

[1] Association of British Insurers.
[2] Association of British Insurers.
[3] Association of British Insurers.
[4] Please note that different upper and lower capital limits apply in Scotland, Wales and Northern Ireland.
[5] Not all long-term care insurance products are the same and you will be assessed on the size and nature of your assets.
[6] Association of British Insurers.

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Your capital will be assessed according to the information in the following table:

Amount of capital you have	How your capital is used to calculate your contribution to your care home fees
Over £23,250	You will be assessed as being able to meet the full cost of your care
Between £14,250 and £23,250	Capital between these amounts will be calculated as providing you with an income of £1 per week for every £250 of your savings
£14,250 or under	Your capital will be ignored in calculating how much you have to contribute to the cost of your care

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