



CARE FUNDING GUIDANCE



A Not-for-Profit Company

Helping Self Funders
Make the Right Choices

HELPLINE: 01978 513317

We are a unique, free and not for profit guidance service to help families deal with one of the biggest costs you will face in your life. Care fees.

Our service is supported by many different organisations which allows us to provide this service to you without cost.

We can only provide guidance however, that means that we can't tell you what to do but we can tell you what options are available.

Advice

If at any point you decide you would like specific advice then we will happily point you in the direction of the Society of Later Life Advisers who are on our panel.

SOLLA advisers are amongst the best advisers in the country and we have gone one step further and actively selected those that our families provide us with the best feedback about.

'Paying for Care can be a complex and costly business. We will endeavour to bring simplicity and understanding.'





INTRODUCTION

Hello, we really hope that this booklet is never needed but, if you're reading it, then it's probably because either you, a family member or a friend requires care and has to pay for it. And if that's the case then this simple booklet has the potential to:

- ◆ Save you tens if not hundreds of thousands of pounds, and
- ◆ Simplify this complex subject so you can concentrate on what you really need to know.

Paying for care is an expensive and often confusing episode in your life. Few people understand how to work out the best way of paying for care and the end result of that is that far too many people end up losing their lifetime's savings on paying for care.

But, fear not, help is at hand.

HOW CAN WE HELP?

Every year thousands of families run out of money when paying for care. Our job is to do everything we can to stop that happening. Mainly that means making sure people are well informed and make good decisions.

This booklet will give you a lot of useful information to show you the sort of things you need to know and consider if you have to pay for your care.

But this is only generic information. What you will find most helpful is to discuss your actual position with one of our team who can then provide guidance and information that is relevant to you.

Our service is mainly funded by the care home groups and so is free to families. So do use the service as much as you need to.



To have a chat, just call our
HELPLINE number **01978 513317**



SO, WHO HAS TO PAY FOR THEIR CARE?

Care is means tested and the means test level varies slightly between each of the four home nations. The table opposite shows you the means test figures for 2021/22. So, if you should require care and have assets over the means test figure then you will be responsible for meeting your own care fees.

Sounds simple but, you'll not be surprised to hear, it can often be a little more complex than that. For example there are some occasions when a person's property as well as certain types of investment cannot be included in the means test.

If you're not sure about your own circumstances we'll be able to help bring simplicity and understanding.

	Means Test Level (2021/22)
England	£23,250
Scotland	£28,750
Wales	£50,000
Northern Ireland	£23,250

WHAT STATE BENEFITS WILL I BE ENTITLED TO?

Again we can add a fair bit of simplicity here. There are up to eight state benefits which could come into play for people who require care. However, if you are paying for your own care then it is highly likely that you will only need to know about two.

The two most common are:

- i) Attendance Allowance
- ii) Funded Nursing Care

Let's take a quick look at how each works:





Attendance Allowance

This is probably one of the easiest state benefits to be entitled to. If you are over 65 and can show that you need some help and assistance on a daily basis then you will probably be eligible for attendance allowance.

There are two amounts payable – £60 per week if you need help during the day and £89.60 per week if you need help during the night as well as the day.

It is payable to the person who requires care, it's not means tested and it's paid tax-free. So well worth having.

Please note, if you are under the age of 65 when you require care then you may be eligible for Personal Independence Payment rather than Attendance Allowance.

Funded Nursing Care

If you need nursing care as well as personal care then the cost of your nursing care will be met by the NHS. You don't have to pay anything, you've already paid in tax and National Insurance.

If you need nursing care in a Nursing Home then the manager of the nursing home should arrange for an assessment to take place and, if it is agreed that you do indeed need nursing care, then the NHS will pay the nursing contribution to your nursing home. The table opposite shows the Funded Nursing Care contributions for 2020/21.

If you're still not sure, have a chat with us and we'll tell you what benefits you will be entitled to.

Funded Nursing Care (2021/22)

England	£187.60 pw
Scotland	£87 pw
Wales	£179.97pw
Northern Ireland	£100.00 pw

OK, so let's say that we've got your benefits sorted out.

How do you work out what your care funding problem is going to be?

PAYING FOR CARE

How to work out your financial problem

This is actually pretty straight-forward. You will need to know:

What your care fees are going to be

What your income is and

What benefits you are going to be entitled to





Your financial problem will then look something like the following example:

Mrs Williams, aged 87, in a residential care home with fees of £50,000 per annum, income of £16,880 and receiving attendance allowance of £3,120. Her care funding problem looks like this:

Care Fees	£50,000
less	
All income	£16,880
All benefits	£3,120
Leaves a Shortfall of	£30,000

So the difference between her care costs and her income (including benefits) is £30,000 per annum. Now, usually the only way in which you can create the income you need to meet the shortfall is to use your assets.

So now you have to tot up the rough value of all of your assets. In Mrs Williams' case let's say she has the following assets:

Cash in the bank	£35,000
Investments	£50,000
Property	£250,000
Total of Assets	£335,000

Her care funding problem is therefore as follows:

SHE HAS TO GENERATE THE SHORTFALL OF £30,000 FROM HER ASSETS OF £335,000.

That's it, simple really.

OK, so now we know the problem, how about some solutions?



THE SIX WAYS OF PAYING FOR CARE

Well hopefully even the title has helped a little. In the vast majority of cases there are really only six options for you to consider when deciding which way of paying for care is best for you.

Unfortunately there is no one way which is right for everybody. Each of the six ways has both risks and advantages associated with it. For now, let's just take a quick look at each of the six ways and show how they work. We've helpfully put the options under the heading of KEEP PROPERTY and SELL PROPERTY as this is often one of the main issues that need to be decided.



Keep Property

- 1** ▶ The Deferred Payment Scheme
- 2** ▶ Rent the property out
- 3** ▶ Equity Release

Sell Property

- 4** ▶ Put the money in the bank
- 5** ▶ Invest to create income
- 6** ▶ Buy a Care Fee Annuity

The next three options assume that the property is not sold.

1

The Deferred Payment Scheme

With this scheme your local authority may pay for your care on your behalf but they will also put a charge on your property. When you die the loan will need to be repaid together with the interest charged. Local authorities are required to offer the scheme but they are not required to accept your application.

2

Renting the property out

This is quite straight-forward, if you are intent on keeping the property then, in most cases, you will need to rent it out so that it creates some income which can be put towards the care shortfall.

The key thing here is to make sure that you work out exactly what income you will get after all costs and taxes and make sure it is as high as you need.

3

Equity Release

Although one of the six ways of paying for care, this is rarely the front runner in terms of its appeal. With this option you are raising capital by mortgaging your property and you will usually end up by paying a relatively high level of interest. This can make it quite an expensive way of paying for your care.



The next three options assume that you have sold the property and now have the sale proceeds available.



4

Cash

Paying for your care is effectively an income generation exercise and, with interest rates being at a historical low, any capital that is left in cash is unlikely to provide much in the way of income. For example, if you have £300,000 in the bank at a net interest rate of 1% then you will only generate around £3,000 per annum of income. Some capital will often need to remain in cash though if only to act as a contingency fund.

5

Invest

With this option all you are looking to do is make the capital work a bit harder (and therefore provide more income) than it would do simply sat in the bank. But given the circumstances it would usually be inadvisable to take much in the way of investment risk so you'll usually be better off with safer investments. With interest rates so poor many families have taken this route in recent years and we can provide some guidance on what works well if required.

6

Care Fee Annuity

In principle care fee annuities are very simple - some of your capital can be used to buy yourself an income which can then pay for your care for the rest of your life.

The care funding problem is then largely solved with the writing of just one cheque and the remaining assets are safeguarded. But you must make sure you think there is a good chance that you will get back in income the capital that you have used to buy the annuity.

The most important thing is that the cost of the annuity varies with each individual so, if of interest, you must find out the cost in your circumstances. We can help to arrange this for you, it doesn't cost you anything and there are no medicals involved.





PAYING FOR CARE IN SCOTLAND

Things are slightly different in Scotland, though not drastically so. If you're over 65 the Scottish Government will pay for the 'personal care' part of your care, either in a care home or in your own home. This is called the Personal Care Payment and in 2021/22 it is £193.50 per week.

If you are receiving your care at home then you will also be entitled to Attendance Allowance but if you are in a care home you will not.

You may also be entitled to the Funded Nursing Care payment which in 2021/22 is £87 per week. If you are in a Scottish care home you will still be responsible for meeting the 'accommodation' part of your care costs although this element is means tested.

SUMMARY



So there you have it, hopefully we've made a decent start at simplifying what at first appears to be a problem of insurmountable proportions.

As we said at the outset though, you will find it refreshingly helpful to have a chat with us about your circumstances. We'll quickly be able to understand your position and give you some appropriate guidance.

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