GU ID AN CE
Helping Self Funders Make the Right Choices
A Not-for-Profit Company
Freephone 0800 055 6225
‘Paying for Care can be a complex and costly business. We will endeavour to bring simplicity and understanding.’
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.
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.

What we think you’ll find really useful is to call us and speak to one of our team about your own particular circumstances and have them give you some useful guidance and direction.

We are THE experts in this field and we are also a not-for-profit company. On top of that we are not financial advisers and we are completely unable to sell you anything!

To have a chat, just call our FREEPHONE number 0800 055 6225
Care is means tested and the present means test level in the tax year 2015/16 is a mere £23,250. So, if you should require care and have assets over £23,250 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.
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) The Nursing Contribution

Let’s take a quick look at how each works:
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 – £55.10 per week if you need help during the day and £82.30 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.

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. In 2015/16 the Nursing Contribution is £112 per week.

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

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
Mrs Williams, aged 87, in a residential care home with fees of £35,000 per annum, income of £12,135 and receiving attendance allowance of £2,865. Her care funding problem looks like this:

So the difference between her care costs and her income (including benefits) is £20,000 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.

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<tr>
<td>Care Fees</td>
<td>£35,000</td>
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<td><strong>less</strong></td>
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<tr>
<td>All income</td>
<td>£12,135</td>
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<td>All benefits</td>
<td>£2,865</td>
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<td><strong>Leaves a Shortfall of</strong></td>
<td><strong>£20,000</strong></td>
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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:

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<tr>
<td>Cash in the bank</td>
<td>£35,000</td>
</tr>
<tr>
<td>Investments</td>
<td>£50,000</td>
</tr>
<tr>
<td>Property</td>
<td>£250,000</td>
</tr>
<tr>
<td><strong>Total of Assets</strong></td>
<td><strong>£335,000</strong></td>
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Her care funding problem is therefore as follows:

SHE HAS TO GENERATE THE SHORTFALL OF £20,000 FROM HER ASSETS OF £335,000.

That’s it, simple really.

**OK, so now we know the problem, how about some solutions?**
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 straightforward, 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 but, unlike the Deferred Payment Scheme, this time you will be paying interest on the loan. 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
You could put the sale proceeds in your bank. Again however, work out the interest rate and what income you are likely to receive. Remember, every pound of care costs that you fail to generate will have to come from the capital, so you WILL usually lose capital.

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 of with safer investments. We can provide some guidance on what works well if required.

6 Care Fee Annuity
You probably won’t have heard of this option and why should you, it’s only available to people who require care. In short this option involves using some of your capital to buy the income that is needed to meet the shortfall in care fees. How much the annuity will cost will depend on the age and health of the person who requires care. The cost can vary hugely so it’s essential that you look into this and in fact this is something we can do for you for free.
THE CARE ACT

The main part of The Care Act was expected to be the introduction of a ‘Cap on Care Costs’ of £72,000.

There are two things to note here. Firstly the introduction of the care cap has now been put back and will not be looked at again until April 2020. At this point it is uncertain if it will ever become law.

The second thing to note is that even if the care cap does become law it will not in fact mean that you will only have to contribute £72,000 towards your care costs. I’m afraid it is a little more complicated than that.

We will be happy to discuss any aspects of The Care Act with you.

Just get in touch.
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.

Our FREEPHONE number is:
0800 055 6225

Email us at: info@carefundingguidance.org
Website: carefundingguidance.org