



## A Guide to Long Term Care



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**With people living longer, many of us could look forward to 20, or even 30 years or more of retirement. But the chances of being perfectly healthy and able throughout that time are, unfortunately, not so good.**

**The need for long term care and how it should be paid for is arguably one of the greatest causes for concern among our growing elderly population.**

Statistics show that from age 60, one in three women and one in four men will require some form of care on a long-term basis.<sup>1</sup> Almost half a million people are in long term care (residential care homes and long stay hospitals).<sup>2</sup>

One of the problems for the current generation of elderly people is that they were brought up to believe that the State would look after them 'from cradle to grave'. Sadly this is not usually the case. Although the NHS provides free medical care in hospitals, the provision of long term care outside hospitals is now the responsibility of individual local authorities and is not free to everyone.

In England and Wales and Northern Ireland, should you need residential or nursing care, your local authority will assess your means to determine what proportion of the cost is your responsibility.

If you have assets of more than £23,000 you will not be entitled to any financial assistance from your local authority for long term care costs in a nursing or residential home. If your assets are between £14,000 and £23,000 (£20,750 and £22,000 in Wales) some financial assistance could be given by your local authority. For those with assets of less than £14,000 (£20,750 in Wales), care will be provided, but you will have to give up all your income (apart from a personal weekly spending allowance of £21.90 [£22.00 in Wales]) to the local authority.

In Scotland the situation is different. Since 1st July 2002 all personal care at home for those residing in Scotland has been provided free of charge. For personal care in a nursing home, a flat weekly rate of £69 for the care and £153 for the care home is paid (direct to the home). You give up your right to attendance allowance but still receive your state pension.<sup>3</sup>

Even at this rate, there is still often a big shortfall between the cost of the nursing home and what the State will pay.

Many thousands of people have concluded that a long term care insurance plan is the most sensible and cost effective way for them to fund for long term care, if it were needed.

A long term care insurance plan could partially or fully provide for your care needs, protect your assets and income whilst providing you with the security you seek in later life.

## **Long- term care plans fall into the following three main categories**

- Immediate need schemes
- Pre-funded Long Term Care insurance
- Long Term Care Bonds

**Immediate Needs Schemes:** These schemes are intended for individuals who need or will shortly need care. There is no time to build up funds in advance to pay for care costs and the insured route is not normally an option because of the need to be underwritten. In essence, immediate need policies use annuities to fund care costs.

**Pre-funded Long Term Care Insurance:** Pre-funded schemes (limited availability), as the title suggests, are arranged in advance of anticipated care needs. Premiums can be paid on a regular basis or by single contribution.

**Long Term Care Bonds:** Long Term Care Bonds are lump sum investments designed to pre-fund anticipated LTC needs. As pre-funded schemes, they have the attraction that they should be able to provide cover at a lower cost than the immediate need schemes.

### **Case Study**

**Profile:** *Mrs Malcolm is 85 years old and lost her husband some four years ago. Her only child, Charlotte, is married and lives in London. Mrs Malcolm has recently suffered a stroke and after being discharged from hospital she was moved into a local nursing home.*

*She has savings of £65,000 in the building society and her home is worth £100,000. She has only a small pension income of £325.20 pm and also qualifies for attendance allowance of £254.80 pm - total £580 pm. However, the care fees are £2,240 pm. Mrs Malcolm has appointed her solicitor as power of attorney and she is using £1,660 pm of her savings to meet the shortfall.*

**Concerns:** *Mrs Malcolm is proud of her financial independence and doesn't want to live off state handouts and, indeed, have the quality of her care dictated to her. She is also concerned that her life savings are eroding and may even be totally spent. The family home that she has lived in for 45 years was always earmarked for her daughter Charlotte.*

**Objectives:** *Mrs Malcolm would like Charlotte to inherit the family home and would be devastated if it had to be sold to cover care costs. She would also like her two granddaughters to inherit a modest amount.*

**Possible solution:** *Mrs Malcolm and her solicitor decide to retain £5,000 of her liquid capital for her own personal expenditure and emergencies. £40,000 is used to purchase an Immediate Care plan that will pay the shortfall in fees directly to the nursing home. The remaining £20,000, earmarked for her granddaughters, is invested in equity based investments for capital growth. The family home is also retained and looked after and occupied by her eldest granddaughter.*

**The above case study is for example purposes only and does not represent the exact circumstances of any individual. Long term care is a specialised area and you should always seek financial advice.**

**For further information or to book an initial consultation, please call us on 0208 722 0734.**

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Information given in this article is for guidance only and should not be taken as individual advice. We cannot assume legal liability for any errors or omissions it might contain. Specific advice should be taken before acting on any of the guidance set out in this article.

Sources: Age Concern [www.ace.org.uk](http://www.ace.org.uk)<sup>1</sup> Laing & Buisson 2004<sup>2</sup> [www.ageconcernscotland.org.uk](http://www.ageconcernscotland.org.uk)<sup>3</sup>