

The Basics of Care Fees Planning 2023 / 2024



In conjunction with:

Centurion
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Foreword

By Tony Watts OBE



I'll start with a personal anecdote, if I may.

Just under 30 years ago, I was editing the first national newspaper for older people and a letter came in from one of my regular correspondents. He explained that, because his wife had been seriously ill for some time, he was faced with having to sell his home and move to a smaller one to fund her care.

I ran a story on that, which attracted a lot of attention; and, before I knew it, I was on the receiving end of a furious letter from a Cabinet Minister threatening me with all sorts of legal action for printing lies. People in this country, he told me, never had to face that choice.

I printed his letter in the next edition, alongside a ream of letters from other readers who had had a similar experience. I sent off a copy of the paper to his office, but (mysteriously) never received a reply.

What I had uncovered was that the rules on paying for care varied depending upon where you lived, and that has since been made more uniform: my correspondent probably would not have to sell up today, but simply run down his savings to a certain point before his wife received funding.

Twenty years on from that original letter, now acting as an older people's representative, I took part in the Government's consultation process on how a sensible and fairer solution could be found to put a cap on care costs. The conclusion reached was that more certainty would allow the financial services sector to design products to soften the blow for people. The Dilnot Report, which would have delivered that certainty, is now covered in the long grass it has since been kicked into countless times since...

So the situation still remains confusing and worrying for anyone faced with the prospect of them, a partner or a family member, needing care and support in later life... and about the potential cost and what might happen if their savings run out. People worry about protecting the house, looking after a spouse or partner, or leaving an inheritance.

If you have been told you need to meet long-term care costs yourself, or if you are arranging care for a friend or relative, you may not know where to start. It can be difficult to find clear guidance on your options, or on the state funding and benefits which may be available to you, particularly if you have intense or complex medical needs. Hopefully, this guide will at least provide the facts you need to make an informed decision.

For more information, please visit www.theageactionalliance.org or email info@theageactionalliance.org

The Basics of Care Fees Planning

Most people faced with a need for care and support in later life and their families are concerned about the potential cost and what might happen if their savings run out. People worry about protecting the house, looking after a spouse or partner, or leaving an inheritance for children.

If you have been told you need to meet long-term care costs yourself, or if you are arranging care for a friend or relative, you may not know where to start. It can be difficult to find clear guidance on your options, or on the state funding and benefits which may be available to you, particularly if you have intense or complex medical needs.

We specialise in advising people in later life, their families and Attorneys or Deputies acting on their behalf, about the best way to plan for and meet the costs of care. Our Regulator, The Financial Conduct Authority, requires financial advisers who are active in this field to hold specialist qualifications over and above those that are normally required to give financial advice. We hold all of those and more.

Eight of our Chartered & Certified Financial Planners are accredited by the Society of Later Life Advisers and three of them are also fully qualified Members of the Society of Trust & Estate Practitioners.

We also have extensive personal experience. Most of us have supported family members who have developed significant care needs in later life. We know how difficult it can be to find your way through the system and how determined you need to be. We are able to inform you about your rights and your options and we have a network of professional contacts who can provide further specialist advice and support as and when you need it.

The options that are available and the right advice very much depend upon the specific circumstances of the person who requires care.

We have written this guide to provide general information which we hope will be useful either to those faced with an immediate need for care or those who are simply thinking around the subject and looking to plan in advance. It should be read in conjunction with our current State Benefits and Care Funding Rate Summary ([attached with this brochure](#)) which sets out current rates.

If you would like to discuss your situation, please contact us to set up an initial conversation. We offer any prospective client an amount of time free of charge to talk things through and to work out how we can help.

Our contact details are set out on Page 17.

Basic Responsibilities

The responsibility for ensuring that anyone with a care need receives appropriate care and support in an appropriate setting lies with either your Local Authority, if your need is primarily a “Social Need”, or partly or wholly with the NHS if you have a “Health Need”.

Regardless of how much income or capital you have, your Local Authority and the NHS should assist in signposting you to sources of information and assistance.

It is always worth contacting your local Adult Social Services Department or your GP to see what help may be available in your local area.

Care Needs Assessment

Everyone who develops a care need is entitled to have those needs assessed to define what type and level of need they have and to make sure that an appropriate care regime is properly defined.

You are entitled to have your needs assessed by a Local Authority regardless of how much assessable income and capital you have. The potential advantage is that your needs will be assessed by experts and this can be very helpful in determining the type of care and support which you require and an appropriate location in which to receive it.

If it appears that any element of **registered nursing care** will be required, an assessment of your care needs should be carried out by the NHS. This is a three stage process which starts with a Screening Checklist, which may proceed through full assessment using a Decision Support Tool, to an NHS Panel Decision.

An NHS Assessment should be completed as a matter of course where someone is discharged home or into a care home from hospital.

NHS Funding

If an NHS Assessment decides that you have care needs which can only be met by registered nursing care in a registered Nursing Home, you should be entitled to at least **NHS Funded Nursing Care**. This means the NHS will pay a fixed contribution towards your care, the current rate is set out in our **State Benefits and Care Funding Rate Summary**.

To be eligible for Funded Nursing Care Contribution, you must be living in a Registered Nursing Home (rather than a Registered Residential Care Home).

If your health needs are particularly severe, complex or intense, you may qualify for full [NHS Continuing Healthcare](#). If you do, the NHS becomes responsible for meeting the full cost of your care including the costs relating to your accommodation. Full Continuing Health Care Funding is available regardless of the care setting and it is potentially available whether care is provided in your own home, a Residential Care Home or a Registered Nursing Home.

You can access the NHS Checklist, the Decision Support Tool, and the full NHS Continuing Care Framework on the internet. If anyone is wondering whether you are eligible for NHS Funding, reading these, particularly the Decision Support Tool, will provide some guidance. We may be able to help clarify matters and we have a network of specialist contacts who most definitely can. If you disagree with an NHS Assessment Panel decision, an Appeal procedure is available. We have a range of specialist third party contacts who may also be able to advise and assist you further with this if required.

Some people who have been sectioned (i.e. kept in hospital for the safety of themselves or others under the terms of the Mental Health Act 1983) are entitled to [NHS aftercare funding provided under s117 of the Act](#).

Eligibility depends upon which section of the Act their detention in hospital took place. If it is available, this funding should cover the cost of meeting all of the person's ongoing mental health related support needs. It is important to note, however, that if the person also has physical or other non-mental health needs, s117 aftercare funding may not cover the full cost of the care and support package they require. In this situation, they may have to meet part of the cost out of their own resources.

Attendance Allowance

This is a basic State Benefit which is generally available to people aged 65 or over who have developed a [need for care and support that has existed for 6 months or longer, and whose care and support is not fully funded by the NHS or local authority](#).

It is paid at two rates; the [lower rate](#) or the [higher rate](#) depending upon the level of care and support you need and, generally whether you require it during the daytime or overnight as well.

Attendance Allowance will continue to be paid if you enter a residential care home as long as you continue to pay for, or contribute towards, the cost of your care. If your Local Authority or the NHS takes over the funding responsibility, Attendance Allowance will cease to be paid. It is important to note that the Allowance can only be backdated to the date it was claimed. Therefore, if someone is thought to be entitled to it, it is also important that the claim is submitted as soon as possible.

Carers Allowance

If a family member or a friend provides you with care for at least 35 hours per week they may be eligible to claim Carers Allowance. They do not have to live with you to claim this benefit, they cannot increase the amount they claim if they care for more than one person and if you receive care from more than one person only one of them can claim the allowance.

A successful claim will ensure the claimant also receives credit for National Insurance Contributions and it can potentially entitle them to further financial support.

Further Information

The current rates of Attendance Allowance and Carers Allowance are set out in our [State Benefits and Care Funding Rate Summary](#).

Further information on State Benefits and how to claim them are set out on the www.gov.uk website or can be obtained from the Citizens Advice Bureau or Charities such as Age UK, Age Cymru, The Alzheimer's Society and others. We can introduce you to expert, third party State Benefit Consultants if you require particularly complex or detailed advice.

Social Care

If your Needs Assessment determines that you have Social, as opposed to Health Care Needs, the NHS has no responsibility for either proving or funding any element of your care.

Your Local Authority has a responsibility for ensuring you are provided with adequate care and support, but it also has a legal duty to assess your income and capital and determine whether it is required to contribute towards the cost.

That assessment should follow the rules set out in the [Care and Support \(Charging and Assessment of Resources\) Regulations 2014](#) and the Care and Support Statutory Guidance in England, and the [Code of Practice \(parts 4 and 5\) of the Social Services and Wellbeing \(Wales\) Act 2014](#). These give the Local Authority some further information about how the Regulations should be applied, and which is updated from time to time.

Local Authority Financial Support

Broadly, if your assessable capital amounts to more than the “Upper Threshold” in England, or more than the applicable Single Threshold which applies in Wales, the Local Authority will not have to contribute any amount towards the cost of your care and support. You will be required to meet the full cost until your capital drops below this amount.

If your assessable capital is less than the “Lower Threshold” which applies in England, or the applicable Single Threshold which applies in Wales, your Local Authority will become responsible for meeting the shortfall between the cost of your care and your assessable income.

These current Thresholds are set out in our [State Benefits and Care Funding Rate Summary](#).

If your assessable capital is between the Upper and the Lower thresholds where they apply, you will be required to contribute towards the cost of your care out of your capital. The resulting “Tariff Income” calculation is quite complicated. We have set out a worked example in our [State Benefits and Care Funding Rate Summary](#).

Summary

In summary, unless you have complex and intense medical needs and you therefore qualify for full NHS Health Care Funding, you will have to meet the full cost of your care and support, until such time as the value of your assessable capital falls to below the Upper Threshold which applies in England or the relevant Single Threshold which applies in Wales.

Even when it does you will still have to make some contribution towards the cost.

The important word is “**assessable**”. Most incomes and assets are assessable, but some are not. If you are in doubt, you can request your Local Authority to carry out a Financial Assessment to establish whether you are eligible for financial assistance.

Generally, if you move to a different area, it is the Local Authority covering the area in which you lived when you first developed a care need that remains responsible, not the one covering the area that you move to.

Assessable Income & Capital

The key exemptions which are available in many cases are, probably:

- The local authority must let you to keep a relatively small amount of **your weekly income to spend as you wish. This amount is known as the Personal Expenses Allowance (England) or Minimum Income Amount (Wales)**. You cannot be asked to spend this Allowance to meet your care costs. The current rate is set out in our **State Benefits and Care Funding Rate Summary**.
- **In England**, if you are receiving local authority-arranged care and support in your own home, the Care Act 2014 recognises that you will need to retain a certain amount of income to cover the costs of living and remaining in the property. In this situation, the local authority assessment must ensure you are left with a certain level of income to meet those costs. This is known as the **Minimum Income Guarantee**. The weekly amount you must be left with varies, depending upon whether you are a single person or you live with a spouse or civil partner. **The current rates are set out in our State Benefits and Care Funding Rate Summary**.
- **In Wales**, regardless of how much capital you have, you can only be asked to pay up to £100pw for care and support in your own home (provided you have eligible care needs). This is called the **Maximum Weekly Charge**. Excess care costs must be paid by the Local Authority. You must have your care needs assessed by the Local Authority in order to qualify for this potentially very valuable benefit.
- Whereas a State Pension is assessable in full, **50% of an occupational or private pension is exempt** from assessment if it is redirected to a spouse or civil partner. Very often one spouse has significantly higher pension income than the other and this exemption can be very important to help protect a spouse who has a low income, if the one with the higher pension benefit requires care.
- Any income you receive from a trust is probably, but not necessarily, assessable and whether or not the **value of capital held in trust** is assessable can be complicated. Our team includes qualified Trust & Estate Practitioners who have a full understanding.
- Whereas most forms of bank or building society account and investment are assessable, the **surrender value of a life insurance policy**, including certain forms of Insurance or Investment Bond, are not. It is important to note that the word Bond is used to describe many different forms of investment and many “Bonds” are not exempt.
- The **value of a home** is not included in the means test if the property has been continuously occupied by:
 - The person needing care (i.e. care is provided in your home)
 - A spouse or civil partner
 - A relative aged 60 or over
 - A relative who is “incapacitated”
 - A child aged under 18
 - The value of your home is also exempt if your entry into residential care is expected to be temporary. It is also exempt for the first 12 weeks of permanent residential care.

Intentional Deprivation of Income or Capital

If you convert assessable income or your capital to a potentially non-assessable form or if you transfer ownership of it out of your name, your Local Authority may assert that you did this with the intention of reducing the amount you pay towards your care costs.

If the Local Authority can show that you intentionally deprived yourself of income or capital it can effectively ignore what you did and assess the income or capital, even if it is now owned by someone else.

This is another complex area but, broadly, the test is based upon the foreseeability of a care need and the intention which you had in your mind at the time you took the action. Unlike with Inheritance Tax, there is no set timescale for this.

The Statutory Guidance which governs the assessment of income and capital states that, if you converted or transferred ownership of an asset at a time when you were fit and healthy and care was not foreseeable, then it is unreasonable for your Local Authority to decide it was intentional deprivation.

The Guidance also states that an intention to avoid care charges must be a significant factor, or the only reason, behind your decision to take the action you took.

If it intends to take a converted or transferred asset into account, the Local Authority must justify its decision. If you disagree with its decision there is an Appeal procedure.

If you are considering giving away ownership of your income and capital in later life, the key point to emphasise is that doing so could compromise your financial security, and your ability to control, or even influence the form of care you receive and where you receive it.

If your key objective is to leave your heirs an inheritance, it may be possible to do this without compromising your independence and financial security. Our Advice will almost always aim to achieve both as far as is feasible. However, as long as we are happy that you fully understand the implications, we will tailor our advice to suit whatever objectives you have in mind.

The Valuation of Income & Capital

Generally, the assessable value of an assessable asset is its open market value.

In most cases the value of a savings account or an investment is easy to establish. However, the rules relating to the valuation of a share in an asset that you own jointly with someone else are very complex.

We very often see cases where the rules are not applied correctly, the asset is assessed at a higher value than it should be, and someone ends up contributing more than they should towards the cost of their care. We are experienced in reviewing and correcting Local Authority Financial Assessments where appropriate.

12 Week Property Disregard

If the value of your home becomes assessable because you leave it to enter permanent residential care, and your other assessable capital is worth less than the Lower Threshold, the Local Authority must disregard the value of your property for **12 weeks**.

In this situation, the Local Authority should fund the first 12 weeks of your care. However, it will only do so if a formal needs assessment confirms that you do need to move into a residential care home. If the Local Authority does not think that this is necessary, it can refuse to pay.

Deferred Payment Agreement

If, after the first 12 weeks of permanent care, you have been unable to sell your property, and your other assessable capital is worth less than the Lower Threshold, the Local Authority may be required to offer you a loan to pay your care fees. Generally, this is arranged through a “Deferred Payment Agreement”.

This means that your Local Authority will pay your care costs on your behalf in exchange for a legal charge over your property. That in turn means that **the Local Authority will have first call on the sale proceeds of the property when it is ultimately sold**. It will be repaid first, before you or anybody else who may be interested in the property, receive anything.

The Local Authority will charge interest on the debt, though the rate is capped by central government and would be expected to be significantly lower than an Equity Release loan arranged with a commercial lender.

Some people consider transferring ownership of their home in later life, possibly to their children or to a trust. It is important to note that transferring ownership could make it impossible to arrange a Deferred Payment Agreement at a later date if you need to do that.

Renting out your Property

Generating income to meet your care fees by renting your property may be a viable alternative to selling it. However, renting will mean that you or someone else takes on various legal obligations and inevitably an administrative burden and costs will be involved.

You also need to consider the possibility of tenants failing to pay rent, or even damaging your property, and how you will meet ongoing maintenance and insurance costs, particularly if no rent is being received. The income and capital gains tax implications also need to be fully considered and understood.

If you do need to move into residential care and no-one else remains living in your home, it is **usually more sensible from a financial perspective to sell the property rather than to rent it out.**

Equity Release

Equity Release involves you borrowing money against the value of your property in exchange for the lender taking a formal legal charge over it. The loan, and the interest if you wish, does not need to be repaid until your death or until the property becomes vacant because you have entered permanent residential care.

This is very similar to a Deferred Payment Agreement, but Equity Release is arranged through a Bank, Building Society or other commercial lender rather than your Local Authority, and it likely to be considerably **more expensive.**

If an Equity Release arrangement is already in place at the point you require care, this is likely to mean that your Local Authority cannot offer you a Deferred Payment Agreement.

Equity Release will only be feasible if the property is owned by people over the age of 55. If you transfer any part of the ownership to a younger person this could substantially reduce the amount you can raise or, potentially, it could preclude Equity Release entirely. Almost certainly transferring any part of the ownership to a trust will make it impossible to organise Equity Release at any time.

Raising funds to pay for care through Equity Release is **only likely to be sensible if no-one else occupies your property and if your key objective is to ensure that you and your spouse or partner both receive care in your home rather than a care home.**

We are fully qualified and very experienced in Equity Release Advice, and we will be very pleased to discuss the option with you if it is of interest.

Other Important Points Relating to Property

If your home becomes vacant for whatever reason, it is very important that your home insurance policy is checked because **many policies cease to cover the property if it remains vacant** for a set period, often 31 days. If this is the case, it is usually necessary, and possible, to arrange cover but your insurance company must be informed or your policy may be invalidated, and alternative cover must be rearranged if necessary.

It is also sensible for someone to visit the property periodically and to check that **essential maintenance** is kept up or the property condition, and therefore its marketability and value could deteriorate.

The Local Authority Rate & Third Party Top Ups

If, for whatever, reason, your Local Authority becomes responsible for paying your care fees it will have a standard rate that it is prepared to pay for your care. If the Local Authority standard rate is less than the full cost of your care fees, your care provider may require someone else to top up what the Local Authority pays.

In general, when it assesses how much it is required to pay towards your care costs, your **Local Authority will take your assessable income into account**, and it will only pay the difference between your income and its standard contribution rate.

For example, if the Local Authority's standard rate is £500 per week and your assessable income is £300 per week, the Local Authority will expect to contribute only £200 per week towards your care costs.

If the fees at your chosen home are £750 per week, then even if you contribute all of your income (including your Personal Expenses Allowance - England / Minimum Income Amount - Wales) and the Local Authority pays its full standard rate, there will still be a shortfall of £250 per week, and the care provider may require a top up of this amount.

We have set out the calculation using these figures as an example over the page.

Note that every Local Authority has its own standard rate. You can find out yours by asking your local Adult Social Services Department.

	£
Local Authority Standard Weekly Rate	500
Less Assessable Income	<u>-300</u>
Local Authority will contribute	200

And the weekly shortfall will be:

Weekly Care Fees	750
Less Local Authority Contribution	-200
Less Assessable Income	<u>-300</u>
<u>Weekly Shortfall</u>	<u>250</u>

In this situation it is **very important that the third party who is asked to fund a top up takes professional advice**, so they fully understand the obligation they are taking on.

If no-one is able or willing to fund the required top up, the Local Authority should offer a choice of homes which will provide the care you need at its standard rate. If none are available, the Local Authority should be prepared to meet the full cost of whichever home is deemed to be appropriate to your needs.

The Options Available to Self-Funders

If you are responsible for funding your care costs, there is probably a 'best way' to do it.

Unless you are extremely fortunate, it is very **unlikely** that your income will be sufficient to meet your care costs in full, and it is very **likely** that you will need to use your capital in some way.

With careful planning it may be possible to ensure that your money does not run out, or to ensure that you protect your capital to some extent, thereby guaranteeing at least some amount of inheritance for your chosen heirs.

Your options are, broadly:

1. Hold Cash

Anyone who needs care should, almost certainly, hold a sensible amount of cash as this is the only way a care provider will accept payment. Cash is also the best way to ensure that your plans can be quickly adapted if your care needs and expenses change, as they often will.

The **advantage of cash is that it is quickly and easily available**. The disadvantage is that the rate of interest earned is very unlikely to keep pace with increases in care costs, particularly over a period of years. Holding too much cash could compromise your ability to fund your fees for the remainder of your lifetime.

2. Hold Investments

The reason for holding anything other than cash is to potentially achieve a higher rate of return than interest rates. This can be very important if you anticipate that you may need to pay care costs over a period of years. The greater the value of capital you own probably the more appropriate investing at least some of it may be.

It is vitally important that any investments have a **sensible risk profile** because significant falls in the value of your capital could have a disastrous impact on your financial independence and your ability to meet care costs.

We can identify whether you need to, or should, consider investing to meet your care fees. If we think this is advisable, we are very experienced in designing low cost, tax efficient and sensible investment strategies which will meet your requirements.

3. Buy a Care Fees Annuity (also known as a Care Fees Plan)

Both holding cash and investing may, depending on how much capital you own, carry the risk that that your money will run out. In many cases the best way to reduce or remove this risk is to purchase a Care Fees Plan to **plug the gap between your income and your care costs**.

Essentially this means giving an insurance company an amount of your capital in exchange for the insurance company guaranteeing to pay your care provider a regular income, on a monthly basis, for the rest of your life.

The general idea is that this monthly payment will meet your care costs, your money can never run out, and you know exactly how much capital you are left with after meeting those costs, whatever they are.

The monthly income can stay at the same level for life or be inflation linked.

The **income will cease on your death** and the biggest financial risk is that your death occurs before your estate has recouped the money spent on purchasing the plan. This risk may not worry you at all, particularly if you are not concerned about leaving an inheritance behind you. If it does concern you, the risk can be reduced by building in insurance protection.

The cost of a Care Fees Plan depends upon your specific circumstances; it is driven by your **age, your state of health and the amount of monthly income you need to generate**. The younger and healthier you are and the higher the income required, the more costly it will be.

Because every plan is individually underwritten, it is impossible to establish the cost without going through a medical underwriting process. This involves completing a simple application and the insurance companies obtaining a report from your GP. It usually takes around six to eight weeks to complete the process.

Costs can be significantly reduced if the monthly income is “deferred” so that rather than commencing immediately, it is set to start at a future date. A Deferred Care Fees Plan can provide a relatively low cost “backstop” in some situations.

This option is **likely to be suitable if your key objective is to ensure your money does not run out**. These plans can be particularly tax efficient if your estate is liable to inheritance tax. They can also work well if you want to protect capital in case a spouse or partner might also develop care needs or if you want to ensure you leave an inheritance for someone behind you.

Advising on these plans is a highly specialised field and Advisers are required to hold specialist qualifications before they do. We hold all the required qualifications and more and we are very experienced in providing this advice.

4. A combination of the above

The best option may be a combination of all three options. Holding a sufficient, easy to access amount of cash is always important. You could buy an annuity to meet some of the cost and make up the balance from investments or buy a deferred plan and use cash or invested capital to meet fees in the meantime.

Although we don't have a crystal ball and we cannot work out in advance what exactly the best option is with any certainty, our qualifications, years of experience and our carefully developed, methodical process ensures that our clients receive good quality, impartial advice at reasonable cost.

And if you lose the Ability to make Decisions

Losing the ability to make decisions about your finances, or how and where you would like to receive care, can make even the best laid plans fall apart. That is unless you have appointed someone that you trust to pick up the decision making on your behalf.

If you do lose the ability to make your own decisions and no-one has been appointed in advance, **your finances will be effectively frozen** and the State will make whatever decisions it thinks are in your best interest until somebody is.

The only way you can retain any degree of control against this outcome is to appoint one or more people you trust to act as your Attorney by making a **Lasting Power of Attorney** whilst you have the capacity to do it.

Two forms of Lasting Power exist, one to cover decisions relating to your Property & Affairs and the other to cover decisions relating to your Health & Welfare. You do not need to make both, but we strongly recommend that you do because a Health & Welfare Power will put whomever you choose on your care provision in a much stronger position when it comes to dealings with your local authority or the NHS about how and where your care should be provided.

Acting as an Attorney is an onerous, fiduciary responsibility and appointing one means you are placing a very high degree of trust in someone to act in your best interest. Attorneys are independently monitored by the Office of the Public Guardian and ultimately by the Court of Protection, but this protection is not infallible. If you do not feel able to ask, or you do not sufficiently trust, a family member or friend, you could consider appointing a Professional to act.

Further detailed information is set out in a Guide to Lasting Powers of Attorney which has been published by the Financial Vulnerability Taskforce. **If you would like a copy please let us know and we will be very pleased to let you have one.**

If you have not appointed an Attorney and you do lose the ability to make decisions, someone will need to **apply to Court** for approval to act as your **Deputy**. The application and approval process are **lengthy** and can be expensive, particularly as professional assistance may be required. Ongoing costs of Court Supervision are also likely to be significantly higher than those incurred by an Attorney.

We do not act as Attorneys or Deputies because, if we are also responsible for advising on your finances, acting as such would result in a conflict of interest. However, we do have a very good understanding of the laws, regulations, and standards which they must observe in relation to managing a person's finances. We act for numerous Professional and Lay fiduciaries of both forms.

And if your Money Runs Out

Despite everyone's best efforts your financial position may be such that if you live long enough your money may run out.

If this happens then as long as you have eligible (i.e. legitimate) care needs, **your Local Authority has a legal responsibility to ensure that you continue to receive appropriate care and support, in an appropriate setting** and to meet the cost of it.

As mentioned above, though, as long as it ensures the care you receive meets your needs, a Local Authority is legally able to cap the amount it will pay. If your care fees are higher than the amount the Local Authority is prepared to pay, your care provider may be happy to continue providing you with the same level of care for a lower price, particularly if you have been a client of theirs for a considerable time.

Other alternatives may be that you are asked to move to a smaller or less desirable room or that someone makes up any shortfall with a third party contribution.

You should check the care provider's position before engaging them to provide your care. Any contract they offer you should clearly state exactly what will happen if you can no longer afford to pay fees at the level you agree as a self funder.

The Proposed Social Care Cap

England

In September 2021, the Government announced that, from October 2023, it planned to introduce a new £86,000 cap on the amount anyone in England will have to spend on personal care over their lifetime. The cap will apply irrespective of a person's age or income. The legal framework for this cap is set out in the Care Act 2014 and already exists, but the relevant provisions of the Act do need to be brought into force.

Then, in his Autumn Statement delivered on 17 November 2022, the Chancellor of the Exchequer announced that the introduction of the proposed cap is now going to be delayed until October 2025.

The proposed Cap is not easy to understand. The first point is that only money spent on **meeting a person's personal care needs** will count towards the cap. The amount someone spends on daily living costs (commonly referred to as "hotel costs" in a care home) is not included. In November 2021 the Government announced that daily living costs will be set at a fixed amount of £200 per week.

A second is that the cap will not apply retrospectively, any costs accrued before October 2025 will not count towards the cap.

A third is that that the Government also proposes to make the following changes to the capital means test:

- To increase the upper capital limit from £23,250 to £100,000. Only when a care service user's assessable capital falls below this value is a local authority contribution likely to become available.
- To increase the lower capital limit from £14,250 to £20,000. Only when a care service user's assessable capital falls to this value will they not have to make any further contributions out of their capital (but they may still have to out of their income).
- To leave the "tariff income" provisions as they are. This means that if a care service user owns assessable capital between £20,000 and £100,000, they will be required to contribute £1 per week for every £250 in capital they have between the two thresholds. Effectively this calculation assumes people can earn a return of £52 a year on £250 of capital, which is an assumed return of 20.8% per annum. This is far higher than anyone is ever likely to earn, even by investing their money in an extremely risky way.

We have calculated the financial effect on an average person paying average fees in an average care home.

Taking all of the proposed changes into account and assuming that care home fees continue to increase at a rate of 6% per year we estimate that:

- A care home resident will only reach the £86,000 cap when they have spent over £180,000 of their own money (plus any money they have already spent prior to October 2025).
- Even if they hit the cap, they will still have to meet the difference between what the home will charge and what their Local Authority will be legally obliged to pay. At that point we think they will still be likely to have to pay around £1,600 per month.
- They will have to keep paying a monthly contribution, until the value of their assessable capital falls below £20,000.
- Even if the value of their assessable capital falls to £20,000, their income will still be assessable. This means they will still have to contribute out of their income. Hopefully the Personal Expense Allowance will increase with inflation but any surplus income in excess of it could still be taken to help meet the cost of their care.
- Someone is only likely to see any financial benefit at all from the new proposals if they live in a care home for over 4 years. Noting that in June 2021 the Office for National Statistics published figures showing that the average length of stay in a Residential Care Home is around 4.6 years, we don't think these new proposals will actually benefit many people to any great extent.

On the plus side, the Government has indicated that if and when the proposed Cap is introduced in October 2025 it will also bring the provisions of s18(3) Care Act 2014 into force which will mean care service users will be able to require their Local Authority to arrange their care which could mean they benefit from a lower rate than they would pay if they negotiated their care fees privately. Given that the Government has also said it will improve funding so that Local Authorities can pay a higher rate for care than currently the potential benefit could be quite limited.

The point is, if you develop care needs in later life the cost of meeting them is, therefore, still likely to be substantial even if the proposed Care Cap is finally introduced.

Wales

The Welsh Government suggested before the 2021 Assembly elections that it may introduce a new tax to fund care but as yet, no concrete proposals have been announced.

Please note that the information set out in this Guide is based on our understanding of current rules and regulations which are subject to regular review and revision. The Guide is intended to provide only basic information, it specifically does not represent advice. You should not take any action without seeking further professional advice and we do not accept any liability for any action you do take as a result of reading the Guide alone. © Copyright Centurion Chartered Financial Planners 2023.



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State Benefit & Care Funding Rate Summary 2023/2024

Please note: this Guide covers only England & Wales where our offices are based, different bases and rates can apply in Scotland & Northern Ireland.

State Benefits

Attendance Allowance	£68.10 per week – Lower Rate £101.75 per week – Higher Rate
Carers Allowance	£76.75 per week

NHS Funding for Care

Funded Nursing Care England	£219.71 per week – Standard Rate £302.25 per week – Higher Rate (Note: Higher Rate is not available to new claimants)
Funded Nursing Care Wales	£201.74 per week – Standard Rate (2022/2023 – awaiting confirmation of new 2023/2024 rate)

Local Authority Funding

Capital Thresholds England	£23,250 – Upper Threshold £14,250 – Lower Threshold
Capital Thresholds Wales	£50,000 – If you live in Residential Care £24,000 – If you live in your own home
Tariff Income England	Contribution rate is £1 per week for every £250, or part thereof of assessable capital you own between the two Threshold limits (see overleaf for more).

State Benefit & Care Funding Rate Summary 2022/2023 (continued)

For example, if your assessable capital is £20,100, you will be required to pay £24 per week towards your care costs.

The calculation is:

Value of Assessable Capital	£20,100
Less Lower Threshold	<u>£14,250</u>
	£5,850
Divide £5,850 by £250	23.40
Gross up to 24	
Multiply by £1 per week	
Weekly Contribution to Care Costs	£24

Personal Expense Allowance
England

£28.25 per week

Minimum Income Amount
Wales

£39.50 per week

Minimum Income Guarantee
England

If you are of State Pension Age or above the rates are:

- £214.35 per week – single person
- £163.65 per week – if living with a spouse or civil partner

Lower rates are payable if you are below State Pension Age. Higher rates may apply if you are disabled or have caring responsibilities.

Maximum Weekly Charge
Wales

£100 weekly charge for homecare and other non-residential social care services.



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