CARE FUNDING GUIDANCE

A Not-for-Profit Company

Helping to plan the cost of live-in care

The Live-in Care Hub

Understanding how to finance care can be difficult and feel overwhelming. The guidance within this booklet sets out and explains the 4 main options open to you in a clear and straightforward way, which we hope you will find helpful.

The Live-in Care Hub endorses the research from 'Care Funding Guidance' into the range of funding options available for 24/7 live-in care services but wishes to make clear that they have no connection or relationship with any funding provider.

INTRODUCTION

Paying for our care is always one of the most significant costs we will face during our lives. But paying for a 24/7 live-in carer can be a good economical alternative to a care home whilst enabling people to continue to benefit from the many advantages of staying in your own home: retaining familiar surroundings and memories, retention of pets, privacy when family members and friends visit, to name but a few.

Most importantly you will still need to decide on the most efficient way of meeting your care costs and this guide plus our supportive not for profit helpline is intended to help you do just that. Our role is to help make sure that you have all of the information at your fingertips to make good financial decisions.

This guide is intended to be of help not only to people who require live-in care but also their families and attorneys as well. We hope that you find this guide helpful but do remember that it only contains generic information. Where we can really be of help is chatting with you about your exact circumstances. Then we can provide information and guidance that is relevant to you. So do call our Freephone helpline if it would be helpful to chat at any point.

Many families feel that the issue of paying for care is quite a complex one, but it's not really and this guide will be a good starting point to help you understand your situation and options.

Let's start by looking at who has to pay for their care.

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.

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!

SO, WHO HAS TO PAY FOR THEIR CARE?

Care is means tested and the present English means test level in the tax year 2016/17 is £23,250. So, if you should require care and have assets over £23,250 then you will be responsible for meeting your own care costs.

Sounds simple but, you'll not be surprised to hear, it can sometimes be a little more complex than that. For example there are often occasions when someone's property can't be included in the means test (the most obvious one being if you are still living in it), and there are also certain types of investment that can't be included either.

Also, there can be occasions, when people are particularly unwell, where the NHS will meet a large percentage of, if not all, of your care costs. This is known as Continuing Healthcare. We will look at this in further detail later in the guide.

WHAT STATE BENEFITS WILL I BE ENTITLED TO?

Although there are many different state benefits, there is usually only one that is available to people who are paying for live-in care.

If you are aged under 65 when you require care then you will probably be eligible for **The Disability Living Allowance** which is in the process of being replaced by **The Personal Independence Payment.** Depending on how your condition affects you the payment could be between £21.80 and £139.75 per week.

If you are aged over 65 then it will be Attendance Allowance instead. Attendance Allowance comes in either a higher or lower rate, largely dependent on whether you need help during the night as well as the day. The lower rate is presently £55.10 per week whilst the higher rate is £82.30 per week.

All of these payments are non means tested and are payable tax-free.

It should also be noted that you are exempt from council tax payments if you are formally diagnosed with dementia.

In some circumstances there may be one or two other benefits that come into play but, again, have a chat with us about your circumstances and we will direct you accordingly.

PAYING FOR CARE

How to work out your financial problem

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

- What the cost of care is going to be
- What your everyday overheads 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 Brown, aged 77, is looking to pay for a live-in carer which will cost £50,000 a year. She also has general overheads and expenses of around £10,000 a year. Her annual income is £27,000 and she will be eligible for Attendance Allowance at the lower rate of £2,865 per year.

Care Fees	£50,000
Plus Overheads	£10,000
less	
All income	£27,135
All benefits	£2,865
Leaves a Shortfall of	£30,000

So the difference between her care costs and her income (including benefits) is £30,000 a year. 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 Brown's case let's say she has the following assets:

Cash in the bank	£70,000
Investments	£130,000
Property	£250,000
Total of Assets	£450,000

Mrs Brown's care funding problem is therefore as follows:

SHE HAS TO GENERATE THE SHORTFALL OF £30,000 FROM HER ASSETS OF £450,000.

That's it, simple really.

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

4 THE FOUR WAYS OF PAYING FOR CARE

The good news is that there are really only four main ways of creating income to meet the cost of care in your own home. The bad news is that there is no one single way that works best for everyone The thing to do therefore is to look at each of the options and consider which option or combination of options is likely to work best for you.

1. Cash
2. Invest
3. Care Fee Annuity
4. Equity Release

1 Cash

You could leave some or all of your capital in cash (the bank). You know where it is, can access it pretty quickly and won't have any investment risk. The only problem really is that we have unprecedented low rates of interest at present which means that the income you can generate from cash accounts is very low.

2 Invest

If you want to try to get a better return on your capital then investing is the next step to consider. For most people who are paying for their care going anywhere near the risky stockmarket is a definite 'no-no'. Instead most people will choose to invest in lower risk, mainstream funds that have a reasonable chance of giving a better return than would be achieved by leaving all of the capital in the bank.

It's also a good idea to take a look at any existing investments you may have in order to see if they are set up to provide income. A surprising number of people have capital in poorly performing funds.

Whilst we can't provide advice on which types of funds work best we do have access to a handpicked group of the UK's most experienced Society of Later Life Advisers (SOLLA) who specialise in investing to meet care costs. Let us know if you need help in this direction and we'll happily put you in touch.

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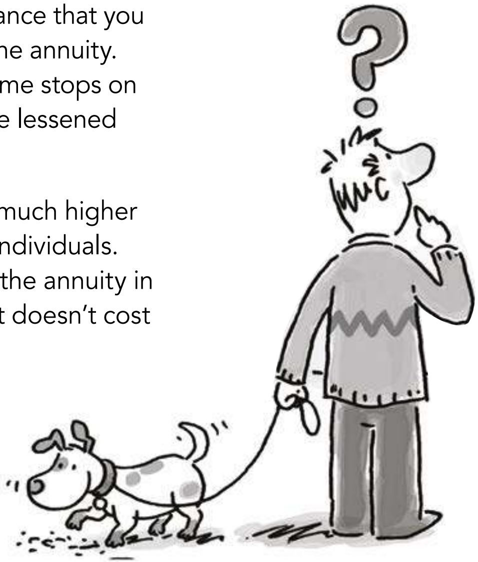
Care Fee Annuity

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. 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. This is because the main downside of annuities is that the income stops on the death of the person who owns the annuity. This risk can be lessened somewhat by the addition of various guarantees however.

Generally the income you will get from this type of annuity is much higher than from an ordinary annuity but the cost will vary between individuals. The most important thing is therefore to establish the cost of the annuity in your circumstances. Let us know if you would like to do this, it doesn't cost you anything and there are no medicals involved.



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Equity Release

Many of us have a lot of our wealth tied up in our house so accessing that value and using it to pay for our care is often an option. There are different ways of releasing equity from your house:

- **You could move to a smaller/cheaper house**
- **You could borrow money from your bank and pay interest on the loan**
- **Or you could ask family to help provide the capital needed**
- **You could use formal equity release schemes**

The first three options are relatively self-explanatory whereas equity release schemes involve borrowing either income or capital against the value of your property. You don't make any payments during your lifetime but the loan and interest is payable on your death.

Equity release if often considered together with a care fee annuity so that you don't need to keep going back to the property to borrow more money. Equity Release schemes are relatively expensive and the first three options are usually favourable if they are available.

Hopefully this section has helped you to work out your care funding shortfall, assess what state benefits you are entitled to and start to get a feel for what is likely to be the best way of funding your care.

CONTINUING HEALTHCARE

If your medical and health requirements are high enough and unstable enough then it is possible that you may be eligible for what is known as Continuing Healthcare. This can mean the NHS pays for the cost of the live-in care in your own home. This form of funding is non means tested and would involve you being assessed by the NHS on a point scoring basis across a number of personal and medical needs. If you meet the criteria then you are awarded Continuing Healthcare.

In practice many applicants find they are declined for Continuing Healthcare but if you feel that your needs are high then this is an assessment that you may wish to start with.

A good starting point is to discuss your circumstances with the company that will be looking after you and they should be able to give you a steer. And of course we will be happy to comment as well.

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, this information is only generic and you will probably find it helpful to chat with us about your particular circumstances. We are expert at what we do and our service is free to all families so do get in touch if we can help.

We'll quickly be able to understand your position and we'll give you the appropriate guidance.

The Live-in Care Hub

CARE FUNDING GUIDANCE

Email: info@carefundingguidance.org

Websites: carefundingguidance.org
liveincarehub.co.uk

Care Funding Guidance Ltd
Registered in England & Wales, No: 09093736. Registered Office: Maidstone, ME17 4DA

CARE FUNDING GUIDANCE

carefundingguidance.org
Email us at: info@carefundingguidance.org
PO Box 622, Maidstone, ME17 4WE

The Live-in Care Hub

www.liveincarehub.co.uk