

## IFA Fact-Files "Paying For Long Term Care "

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If you are assessed as needing care in a care home by the local authority you will be expected to pay the full cost of care if you have more than £19,500 in capital. This capital can be made up of property, savings, investments, and also includes Income Support.

Many people wish to pass on some of their savings or the value of their property to their children or others and thus need to know how the rules work.

### Treatment of Property

If you are applying for help from your local authority to pay care home fees, your income and savings will need to be assessed in line with nationally set rules.

If you have more than £19,500 worth of capital (including property), you will be treated as being able to pay the full cost of the place in a care home. There are however some exceptions where the local authority will ignore your property in their assessment, they are as follows:

- If you have (i) a partner or spouse or (ii) a relative aged 60 or over, or (iii) a relative under 60 who is incapacitated who still lives in the property.
- If a child under 16 resides at the property whom you are liable for.
- If your stay in a care home is on a temporary basis only. (This can be anything up to 52 weeks at the discretion of your local authority).

If the local authority arranges a place for you in a care home on a permanent basis and you are unwilling or unable to make your contribution, they can make a claim on the value of your property and recover the money owed to it for fees when the property is sold.

Some people want to give away their house or some savings to friends or relatives so this will not be available to pay for care. This is known as 'deliberate deprivation' and is the term used when someone knowingly gives away assets or savings, or sells them at less than their market value in order not to have to use those monies to pay for their care home fees. However, the local authority can pursue either the person who gave away the asset or the person who received for the value of the gift.

There are no hard and fast rules about the circumstances when someone might be assessed as having deliberately deprived themselves of assets but if you do deliberately deprive yourself of monies, then the local authority may assess you as having 'notional' capital or income which means that they will financially assess the person who requires care as if they still have the monies they have given away. The local authority may then either:

- Refuse to arrange your care accommodation or
- If you are already in a care home they may continue to bill you for the fees based on your 'notional capital'.

### Split of Nursing Fees and "Accommodation Costs"

The NHS is responsible for meeting the registered nursing costs of all residents in care homes that provide nursing care. Residents are placed in one of three bands of funding according to an assessment by an NHS nurse. The NHS then pays the care home at the appropriate rate leaving the resident or local authority to meet the cost of accommodation and personal care. NHS nursing costs can also be met whilst you live in your own home, they are not restricted to residential homes.

**Your choice of Care provider**

If you rely on the local authority to fund all costs associated with long term care, you will be restricted to accepting care from accommodation of their choice. This may not be the best care that is available.

**Capital Gains Tax and Inheritance Tax Implications**

If you assign your property over to your children they will be liable for capital gains tax on any growth in the value of the property.

If you continue to reside in the property, having passed ownership to your children, it is possible that the Inland Revenue would argue that you still receive benefits from the property and is therefore a "gift with reservation". In this scenario, the property would be treated as part of your estate for Inheritance Tax purposes.

**Long Term Care (LTC) Insurance**

It is possible to purchase an insurance contract that will pay an annual income in the event of long term care being required. Costs vary according to age and health. LTC insurance plans will generally pay out using the definitions of ADL's (Activities of Daily Living). Depending on the level of cover, the policy would commence payment after you are diagnosed as failing one or more ADL. ADL's include Dressing/undressing, Eating and drinking, Getting in and out of the bath or shower.

LTC insurance can be purchased in a few different ways:

1. By a regular monthly premium before care is necessary.
2. By a one-off single payment before care is necessary.  
*The above two policies would be described as "Future Care" policies.*
3. By a one-off single payment once care has been deemed to be necessary.  
*This last policy would be known as an "Immediate Care" policy.*

With "Future Care" plans, the cost will be significantly less, but there is a possibility that you will die without making a claim, and in that situation, the premium paid is usually lost. This does not however mean that the insurance is poor value for money. As with any insurance, you are buying peace of mind against the worst possible scenario.

Individuals should understand the cost and benefits of long term care insurance before making any decisions about giving away property or assets.

*If you have any questions or need an independent review of your investment arrangements, please contact Martin Andrews to discuss your situation further. Martin Andrews & Associates Ltd is an Independent Financial Adviser authorised and regulated by the Financial Services Authority.*

*Information given in this document should not be taken as advice as it is intended for guidance only. If you wish to have an assessment of your own situation, you should contact the office for advice.*