

NHFA Infosheet 6

Case studies / Top ten tips

Since 1992 the NHFA has been successfully advising older people and their families how best to meet their care costs. Here are a few of their stories. (Names have been changed to protect confidentiality.)

Ruby's Story

After many years of being cared for by her daughter Carol, Ruby, aged 87, suffering from dementia, entered a nursing home costing £20,000 per annum. She had savings totalling £60,000 and an income of £10,012 leaving a shortfall of £9,988.

Carol just wanted mum to get the best possible care for the rest of her life. Her own financial circumstances as a single parent would not enable her to "top up" mum's fees if her money ran out.

The NHFA Solution

Our helpdesk immediately identified that Attendance Allowance could be claimed and our local adviser assisted in completing the claim. This reduced the shortfall to £8,400. Following a detailed report outlining various options Carol decided to purchase a "Care Fees Payment Plan" for £31,737. This provided Ruby with an income of £700 pm increasing by RPI for the rest of her life. The shortfall being taken care of meant that the rest of her capital could safely be placed into a combination of low risk investments and deposit.

Carol had total peace of mind knowing that Ruby's care and comfort in the private nursing home was secure.

Sadly, after 5 years, Ruby died, although, with fee increases, she had paid £125,600 to the home, when her Estate was settled Carol was still able to inherit £47,200 from her original £60,000.

Had Ruby simply left her money on deposit she would have needed local authority funding for the last years of her life, meaning she would have either had to move to cheaper accommodation or find a top-up for her fees.

Recently, the problems of rising care costs have been compounded by very low interest rates and poor stock market returns. This makes investment decisions very difficult. Do you leave the money on deposit and see capital disappear, take a risk on the stock market or look for alternative forms of investment?

Our overriding aim is to enable older people meet their care costs and at the same time preserve capital. The following recent case studies we hope will give you confidence that there are solutions for meeting care costs which avoid falling into the trap of running out of money and what that brings with it.

Mavis's Story

Mavis aged 90 enjoys an active social life in a care home. To meet her fees and personal spending she needs £1628 per month. Taking account of her pensions and attendance allowance her income shortfall was £920 per month. Her savings and the proceeds from selling her home were £179,000. Although frail, Mavis's health is fair for her age and because of that a care fees payment plan was just too expensive.

The NHFA Solution

Her daughter Rachael chose to keep £12,000 on deposit and invest the balance of £167,000 in a combination of investments including £80,000 in a property fund "drawdown" bond initially taking £920 per month to fully meet the shortfall, increasing by 5% per annum. The

balance of £87,000 was invested for growth in a "with profits" bond and a maxi ISA.

After fifteen months and drawing £13,938 from the original £167,000 the investments were still valued at £167,593. This demonstrates that care costs can be met and capital preserved. The total return on the monies invested, after charges was by far better than can be hoped for from a Bank or Building Society deposit account.

John's Story

John, aged 82 a widower was enjoying an active retirement including a pint in his local pub until sadly he contracted Motor Neurones Disease. Determined to stay at home he arranged to live on the ground floor and finance various home adaptations. His homecare costs amounted to £35,000 per annum which could only be partly met from income leaving a sizeable shortfall of £18,000.

The NHFA Solution

John was advised to claim attendance allowance and to fund his shortfall he chose a care fee payment plan increasing by 5% annually at a cost of £48,000.

Eighteen months later his health further deteriorated and he had to move into a local nursing home. No extra outlay was needed because the tax free care plan income with his NHS nursing contribution was adequate to meet the cost. His house was later sold and the proceeds invested for growth into a range of government gilts and commercial property funds.

At this point in time John had spent over £42,000 on his care costs but his remaining assets have the potential to continue growing steadily to provide the inheritance he so wished to leave his sons.

NHFA Infosheet 6

Case studies / Top ten tips

Annie's Story

Annie is 73 in excellent health and enjoying an active retirement. She was worried about Inheritance Tax on her Estate if she were to die, and the impact on her Estate if she were to need long-term care in the future.

She also wanted to give some money to her children now to help them out.

Annie's home was worth £325,000, she enjoyed living there and wished to continue to do so. She had savings of around £50,000 which, invested in the stock market, she was reluctant to cash in.

The NHFA Solution

To solve the problem Annie chose to take an Equity Release mortgage of £97,500 on her property.

This enabled her to purchase a long-term care insurance policy to cover possible future care costs, buy a new car which she desperately needed, give £30,000 to her daughters and invest a further £40,000 in Trust outside her Estate for Inheritance Tax purposes.

A further £4,500 was kept back and placed on deposit for emergencies.

Through Equity Release, Annie had removed a large slice of her potential Inheritance Tax liability, made her own and her daughter's lives more comfortable and taken care of her worries about the cost of possible future long-term care.

These are otherwise known as lifetime mortgages and with that carry a certain degree of risk. A detailed financial review is recommended before considering such a solution.

NHFA Equity Release Service

The NHFA has undertaken extensive research into the Equity Release market analysing available products to determine the best solutions to meet individual needs. If you wish to know more about Equity Release please call 0845 1300 123.

Little known facts about Care Fee Payment Plans

Unlike ordinary annuities terms are only marginally affected by interest rates. Prices can vary substantially through different actuarial interpretation of life expectancy. (See sample below).

- Payments can be made tax free direct to the care provider.
- Plans can be used to pay for care at home.
- Care Fee Payment Plans provide the certainty of a rising income for life.
- Capital protection can be included at extra cost.
- Care Fee Payment Plans only need to meet the shortfall between existing income and the cost of care.
- No medical is required. Underwriting is usually based on a GP report or Care Home assessment.
- Removing capital from the Estate, plans can be very tax efficient for older people with potential Inheritance Tax liabilities.
- The NHFA pioneered its common application form several years ago. This process ensures that ALL providers offer terms thereby giving clients the reassurance of identifying the lowest priced plan available.

Sample Immediate Need Care Fee Payment Plan Prices

Gender (M or F)	M	F	F	F
Date of Birth dd/mm/yy	17/2/21	27/1/10	24/7/15	14/4/08
Plan Income PCM (£) escalating by 5% pa	1189	1500	1700	953
Health Impairment & ADL Failures	Dementia & Stroke	Dementia & Heart Disease	Dementia	Dementia & Stroke
Dressing	✓	✓	✓	✓
Bathing	✓	✓	✓	✓
Feeding			✓	
Toileting	✓	✓	✓	✓
Mobility		✓	✓	✓
Cognitive impairment	✓	✓	✓	✓
Company Offers (£)				
AXA PPP	66,070	64,427	85,535	42,412
NU	110,209	79,414	59,234	43,955
PAFS	53,436	76,489	67,294	47,154
GE LIFE	98,591	64,548	99,000	33,452

NHFA Top Ten Tips

As our older population of home owners increases so does the number for whom it will be necessary to sell their homes to meet the cost of long-term care. This need often arises when least expected, it could follow a period of hospitalisation, a stroke or an incident at home as a result of gradual deterioration in the ability to be self sufficient. Whatever the reason, most older people, their families or carers have very little understanding of our long-term care system and need independent advice if they are to obtain and maintain the best possible care. The following are a number of simple points that may be useful to individuals in this situation.

1. National Assistance Act 1948 (choice of accommodation) Directions 1992

If the local authority is funding your care you do have the right to choose your care home. As long as the home has a place available, can provide the care you are assessed as needing, complies with the authorities set terms and conditions and, does not cost any more than they would usually pay. If your chosen accommodation does cost more then a third party is required to top-up the fees. Individuals funded by the local authority cannot top-up themselves.

2. Attendance Allowance

If you are self-funding your care, claim attendance allowance. This is a non-means tested, non-taxable DWP benefit paid weekly at the lower rate of £40.55 if you need care by day or night and the higher rate of £60.60 if you need care by day and night. **Saving up to £3,151.20 per annum.**

3. Twelve Week Property Disregard and Deferred Loan agreements

The local authority must disregard the value of your property for the first 12 weeks of residential care and assist with your fees if your other capital is below £20,500. After this period, The local authority can 'lend' you the money to pay for your care through a 'deferred payments agreement' to be recovered when your property is eventually sold. You will be able to claim pension credit with attendance allowance during this loan period. However, if the property is not on the market to be sold it will be treated as capital and subject to its value, entitlement to pension credit could cease. **Saving up to £72.90 per week.**

4. NHS Nursing Care Contribution in Nursing Homes

Make sure you claim an NHS contribution towards your nursing home fees even if you are only staying for a short respite period. **Saving up to £129 per week.**

If you are receiving the highest band of NHS contribution towards nursing care then you are considered to have very high dependency. Check to make sure you are not entitled to full NHS funding under the health authority's continuing care eligibility criteria which may be very close to this level of dependency and meet the full cost of their care.

5. Couple's Savings

In assessing entitlement to financial assistance, the Local Authority will take into account joint savings with a spouse or partner and, until those joint savings fall to double the means test limit, no financial help is available. (i.e. 50% of £41,000 = £20,500) To accelerate financial help it is better to have separate single accounts meeting care costs paid from the account of the person in the care home. **Saving 50% of your partner's capital.**

6. Joint Tenancy

If your partner needs to move in to a care home consider changing the ownership of your property from joint tenancy to tenants in common. You can then Will your half to your beneficiaries rather than it being caught up in the means test for care should you predecease your partner in the care home. **Saving 50% of the value of your home.**

7. Enduring Power Of Attorney

Consider drawing up an enduring power of attorney when you are fit and well. For the sake of charging a small fee your family could save a lot of expense and complications if in the future you were unable to cope with your own affairs and they had to involve the Court of Protection. **Saving the costs of the Court of Protection.**

8. Choosing Appropriate Accommodation

Choose a care home you are sure of being able to afford over the long term. If there is a danger that your money may fall to the means test limit (currently £20,500) make sure the local authority social services department will fund the care you have chosen and the care home will continue to accommodate you at what they are prepared to pay. Otherwise you may find yourself having to move to cheaper accommodation or asking the family to top-up. **Saving the need to move to cheaper accommodation or a third party having to top-up.**

9. Section 117 After Care

If you know an older person that requires care because they are mentally ill then make sure that they have not previously been admitted to hospital under Section 3 of the Mental Health Act 1983. If they have been so admitted they should be entitled to Section 117 aftercare under the same act which can include full funding for a care home place. **Saving the full cost of care.**

NHFA Infosheet 6

Case studies / Top ten tips



10. Immediate Need Care fee Payment plans.

If you have an immediate need for care and are selling your home to pay for it consider purchasing an immediate need care fee payment plan. These plans deliver a regular guaranteed tax-free income higher than can normally be achieved from traditional investments or annuities. They are a way of meeting care costs for life whilst using up only part of the capital and, as so many older people wish, enable an inheritance to be left for the family. **But be careful, although there are only a few companies that offer this product their actuarial view of life expectancy can be quite varied and, consequently so can the product price.** To combat this and obtain the best possible price the NHFA uses a common application form and health questionnaire which is submitted to all companies. **Saving time and energy in obtaining peace of mind.**

Taking the worry out of paying for care

The aim of the NHFA is to enable older people meet the cost of their chosen care for life whilst also preserving their original capital, independence, dignity and right of choice. Therefore, unlike many older people today, the longer many NHFA clients enjoy their stay in care homes the more money they are able to leave for their children.

And finally, take specialist advice

NHFA advice, which is available to all regardless of means, aims to enable older people to afford the cost of their chosen care for as long as they need it.

NHFA advice is available to all regardless of means

Further information and advice on paying for care or free copies of the NHFA Long Term Care Guide can be obtained from:

St Leonard's House, Mill Street
Eynsham, Oxford, OX29 4JX

Care Advice Line: 0800 99 88 33
Telephone: 01865 733000
Facsimile: 01865 733001
Website: www.nhfa.co.uk
E-mail: enquiries@nhfa.co.uk

NHFA Ltd is authorised and regulated by the Financial Services Authority

NHFA Ltd is registered in England & Wales. Registration No. 04620891

Infosheet 1 Choice and Interim Finance
Infosheet 2 Treatment of Property
Infosheet 3 The Legal Framework
Infosheet 4 L A Charging Procedures
Infosheet 5 Deprivation of Assets
Infosheet 6 Case Studies / Top Ten Tips
Infosheet 7 Treatment of couples
Infosheet 8 NHS Nursing Care Contribution
Infosheet 9 Inheritance Tax
Infosheet 10 Enduring Power of Attorney

NHFA care advice line 0800 99 88 33
www.nhfa.co.uk