

Consider a long-term care annuity

Rather than sell the home and use the proceeds to pay care fees, find out whether the money should be used to buy an immediate needs annuity, which pays a fixed income for life.

This can provide some certainty for people moving into care, as they know their fees will be guaranteed to be paid for life; their money will not run out and they will not have to move into a local authority-run home later. There is also the reassurance that whatever is left from the sale of the home, once the annuity has been bought, can be left to the next generation.

The price depends on a person's age, health and gender when going into care . the longer the insurer expects them to live, the larger the upfront cost. An adviser should explain what an annuity would cost and should help find the best. The downside is that if the person dies shortly after going into nursing care, this is likely to be more costly than simply paying fees direct. Most providers, however, allow you to buy "capital protection", which refunds part of the cost in such circumstances. There are a number of specialist providers that offer these annuities, including Partnership and Axa PPP.

Get advice

A spokesman for Age UK said: "Older people and their families often have to make a major life decision regarding care at very short notice, often following a crisis, such as a bad fall or stay in hospital." But as well as little financial help, "self-funders" often get little information or advice.

Chris Horlick, the managing director of long-term care at Partnership, a specialist insurer, said families are often sent away with a booklet, which "is mainly full of adverts for local homes". They are often not given clear or consistent advice on benefits, nor information on the various financial products that can help them meet care costs.

A specialist financial adviser should be able to provide advice on benefits, investment options and tax implications (selling an asset like a home can potentially trigger a CGT bill, for example, if the person is already in care).

What do you have to pay?

As a rule of thumb, a person who owns his or her home is likely to fail the local authority means test and be deemed a "self-funder". In England this threshold is £23,250 (in Wales it is £22,000 and in Scotland £22,750). In most cases this includes the value of any property owned.

But there are circumstances in which the family home is ignored: if you have a spouse or relative aged 60 or over still living in the home, it will not be included within the local authority's financial assessment. It should also be ignored if your care needs are classed as "temporary".

In addition, if your other assets, excluding the home, are less than £23,250, then you should not be charged for the first 12 weeks; those in this situation can request that a legal charge is put on their home rather than selling it upfront.

What benefits do you receive?

People who need nursing care (as opposed to "personal care") will receive a contribution towards these costs, regardless of their financial position. In England this is normally paid at £108 a week, with payments made direct to the nursing home. People in Scotland also receive payments towards "personal care costs" such as help with washing and dressing.

Source: Daily Telegraph
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Web: <http://www.telegraph.co.uk/finance/personalfinance/insurance/longtermcare/8125301/Care-home-fees-up-by-20pc-in-four-years.html>