SAFE AS HOUSES?

IF I NEED CARE WILL I HAVE TO SELL MY HOUSE?

Funding care for the elderly has been a political hot potato for a long time. A series of policy initiatives, reviews and reports have come and gone with little alteration to what is a flawed and inadequate system. One of the most controversial aspects is whether those needing care will be forced to sell their home. For many the family home is the most valuable thing they will ever own. Having worked to pay off their mortgage, many see bricks and mortar as the ultimate asset - to be handed on to the next generation. Care costs can jeopardise this, with years of very large fees.

Unfortunately, the existing system means that selling property to pay care costs is hard to avoid. Although you can't be forced to sell, home ownership will often exclude you from care funded by the Local Authority.

According to a recent article in Which magazine, around 1.3 million people over 65 currently receive paid-for care of some kind and a further 1.9 million rely on voluntary help from family and friends. Around 40% of those who receive care are funding it themselves.

WHAT DOES CARE COST?

Social care is different to medical treatment because it is not free at the point of delivery for everyone. Rather than caring for medical needs, social care is provided to help older people with everyday needs, such as nutrition, personal hygiene and going to the toilet. Local authorities carry out detailed assessments to determine eligibility and then apply a means test to establish whether those who receive support are obliged to contribute to the cost of care. (For exceptions see box: "NHS Continuing Healthcare.")

If someone receives care at home – such as help with getting up, washing and dressing – this can cost between £15 and £20 an hour. If they need more help, the hours and the costs will rapidly rise. For example, 14 hours per week will cost £11,000 to £15,000 a year, while all-day care might be £30,000 to £45,000 per year. According to the Money Advice Service, live-in, 24-hour care can cost as much as £150,000 a year, noting that, 'in these circumstances, residential care is usually more cost-effective.' Care-home costs vary depending on location and needs and homes that also provide nursing will usually charge more.

CONTINUING HEALTHCARE

NHS Continuing Healthcare may apply to those judged to have 'primary health needs' and means their care will be paid for by the NHS. The eligibility criteria are complicated and will depend on the severity and unpredictability of an individual's condition. Only a small proportion of those in care will qualify for Continuing Healthcare funding from the NHS.

However, some who don't qualify for NHS continuing healthcare, may still be eligible for NHS-funded nursing care, where the NHS pays a flat-rate contribution (currently £155.05 a week) to the care home towards the cost of registered nursing care. You will notice a distinction between nursing care based on medical need and general social care, caring for daily needs.

According to the previously mentioned article in Which magazine, across the country those who are self-funding residential care can expect to pay between £31,000 and £43,000 a year. Costs in London and the south, are higher, with average fees between £37,000 and £50,000 a year and some homes charge far more.

MEANS-TESTED CARE

A means test applies to determine whether you must fund care yourself. This article considers the situation in England as there is a higher threshold in Wales and an entirely different system in Scotland. In England and Northern Ireland, the threshold is £23,250 and has not been changed since 2010. 'Eligible capital' above the limit, will mean you are self-funding and must pay for any care you receive.

Those with less than £23,250 get some help with their care costs from their Local Authority, but they are still required to make some payment unless they have less than £14,250.

Savings and investments count as eligible capital and the value of your home does, too, with a few exceptions. For example, the home is excluded if you receive care at home, rather than in a residential establishment. It is also disregarded if your partner or a relative aged 60 or over continues to live in the house. This usually means that if one person in a couple needs residential care, their joint home will not be assessed as part of their assets for the purposes of care funding.

PAYING FOR CARE

What options do you have, if you need to fund care yourself? If you are receiving limited *care in your own home*, this can often be paid for out of income and some savings. If a greater number of hours are required, the cost may become too expensive and you may need to consider other options, such as equity release, to release enough money to continue to stay in your home and receive the care you need. Equity Release might also allow expensive home adaptations, such as a stairlift. However, it is relatively expensive and would generally not be a first-choice option.

Residential care is more expensive and, for many, will cost more than their retirement income. Those funding their own care can normally claim Attendance Allowance, which is not means-tested and is worth between £55.65 and £83.10 a week, depending on need. This would contribute between £2,894 and £4,321 a year, to put towards fees. However, for many the cost of care will still exceed their income and will begin to erode their capital.

ALTERNATIVES TO SELLING YOUR PROPERTY

Rent it out. If the property is suitable, rental income may allow you to bridge a fees shortfall. Many homes will require extensive updating however, so you could be faced with a significant initial outlay. You also need to factor in ongoing expenses, such as a rental agent's fees.

Equity release. An effective way of funding care in your own home, equity release is not suitable if you need to move to a residential home and leave your property empty. Most lenders require you to sell up or repay the loan as soon as you move out.

Deferred payments. A Local Authority-funded form of equity release, which lets you receive funding for care as an advance against the proceeds of the sale of your home. This may allow you to delay the sale, if you have less than £23,250 in savings, excluding the value of your home.

Give it away. This should be approached with caution. If done when care needs were foreseeable, the Local Authority may deem it deliberate deprivation of capital and assess your capital as if you still own the property. A successful sale could still leave you short of funds.

IF YOU SHARE YOUR HOME

Not everyone who owns a house needs to fund care themselves. If your partner (or other close relative aged over 60) carries on living in the family home, after you move to a care home (or vice versa), the value of the house doesn't count as eligible capital. If this is the case and you have savings and investments worth less than £23,250 you are likely entitled to at least some funding by your Local Authority. The means test should establish the level of support you can receive.

DO YOU HAVE A FUNDING GAP?

If you are likely to have to pay for care, make a list of your current sources of income - from private and state pensions, interest from savings and dividends from investments. If you qualify for Attendance Allowance, add in a figure for this too. Compare the total with any fees you might have to pay. If your income exceeds these, you don't have a gap. If it's less than the cost of care, you will need extra funds to make up the difference.

FUNDING A SHORTFALL

If you are the only person who lives in your home, one option is to sell it, although this is not always desirable if the property is of family significance or if moving to a care home is not likely to be permanent. For alternatives to selling up, see the box, "Alternatives to selling your property."

PRESERVING CAPITAL

Selling your home will often release enough cash to fund care fees, but questions will remain. Will the money run out? Will anything be left to pass on? Once the decision to sell has been taken, consider how to put appropriate care funding on a firm footing. For self-funders, typical life expectancy in a home is four to five years, so you'll have to bridge any shortfall for at least this long - and have money left to cover contingencies. Don't forget that fees will likely increase each year as they tend to increase faster than inflation and could rise steeply if care needs change. In terms of capital

WILL YOU NEED TO PAY FOR CARE?

The capital limit for social care funding in England and Northern Ireland is £23,250. Owning a home will almost certainly push you over the limit.

YOU MAY NEED TO PAY FOR CARE IF:

You move into a care home. The value of your house may count as eligible capital (see below), together with your savings and investments, depending on your circumstances.

You live on your own and own a property. If you live alone, the value of your house will count as eligible capital if you move into a care home.

You don't qualify for NHS continuing healthcare (see box). If you have more capital than the means-test threshold and don't qualify for NHS care, you'll need to fund your own care.

YOU MAY NOT NEED TO PAY FOR CARE IF:

You receive care in your own home. The value of your house is not counted as capital. Only your savings and investments are assessed (together with your income).

You live with a partner/relative aged 60 or above. The value of your house will not count as eligible capital if you move into a care home, and your partner or a relative aged 60 or over continues to live in the house

You qualify for NHS continuing healthcare (see box). If you qualify for continuing NHS healthcare, you don't have to pay for care (at home or in Residential Care), irrespective of your means.

preservation, here are three of the main options.

Savings: With interest rates being so low, it's hard to protect capital without taking risks. For savings, fixed-term savings bonds are likely to be your best bet to match inflation. Get the best rate you can without tying up too much. Consider longer-term bonds for what's left once foreseeable expenses are covered. Low-risk investments are another possibility but they are still likely to pose more risks than cash savings and should be approached with caution.

Investments: If the proceeds from selling your property produce more than you need to fund care costs for the next five or six years, you could consider investing the remainder. As these funds may also eventually be needed to pay for care too, you would be wise to seek professional advice and probably stick to a relatively low-risk portfolio designed to preserve capital rather than go for growth.

Immediate-needs annuities: There is not currently insurance available to insure against the cost of *future* long-term care. However, 'immediate-needs annuities' allow you to limit your exposure and guarantee future funding. These products are only available through qualified advisers and are individually underwritten, considering the age, health and estimated life expectancy of the person receiving care. A single premium is paid at the outset and in exchange the provider pays (tax-free) fees to the care home for the rest of your life.

Policies can be set up to increase with inflation, to cover rises in fees. It is also possible to build in an element of "capital protection," in case the insured dies much earlier than expected, so that not all the initial premium is lost. They can seem expensive but immediate-needs annuities effectively cap the amount you will spend on care and provide relative security of future funding.

SUMMARY

Selling your home if you must go into care is not a foregone conclusion. If you have sufficient income to fund the fees yourself or live with a partner or close relative over 60, your home may not be assessed as part of any means test. Otherwise, if you move into a residential care home, the value of your home will be assessed as capital in any means test and may well need to be sold to pay care home fees. Once your capital falls below £23,250 some, if not all of the fees may be paid by the Local Authority.

If you find that you do end up funding your own residential care, you can at least be consoled that self-funding gives you one key advantage – you usually get to choose which care home you go to. This is often not the case for those whose care is funded by the Local Authority, who will likely be allocated to an establishment according to the Local Authority budget limits, rather than the preferences of the individual.

CONSULT A QUALIFIED ADVISER

A qualified adviser may be able to offer solutions that bring peace of mind while making sure your funds don't run out. You should find an adviser with a CF8 Chartered Insurance Institute qualification, or the Institute of Financial Services Certificate in Long Term Care Insurance (CeLTCI).

Contact us for a detailed discussion of your requirements.

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