Sheffield Life and Pensions Society

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Whittington Goddard ASSOCIATES LTD
INDEPENDENT FINANCIAL PLANNERS

SOLLA Society of LATER LIFE ADVISERS

Long Term Care

Presented by

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SOLLA & Symponia

- Later Life Adviser Accreditation is the recognised benchmark for advice skills of those advisers who specialise in the older client market.

- Symponia was formed several years ago by Jeremy and Janet Davis. Specifically to train and help IFAs to give advice in LTC.
- Marketing and work with care home groups.

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Baby boomer generations…

In the UK today, there are:

- 11.2 million people aged over 65
- 1.4 million people aged over 85
- 13,000 people aged over 100

The future?

- By 2020, 12.7 million people aged over 65
- By 2030, 15.5 million people aged over 65
- Fastest growth in the post 85 age cohort
- By 2051, 327,000 people aged over 100

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Source: National Population Projections ONS 2011

- **431,500** elderly and disabled people currently live in residential care (including nursing)

- **3.7 million** people aged 65+ currently live alone

- **821,000** people aged 65+ currently have dementia
  - This is projected to double in less than 40 years
  - It affects 1 person in 6 over 80 and one in three over 95

- Around **6.4 million** people provide unpaid care in the UK (all ages)

- There are an estimated **3,836 nursing homes** and **10,445 residential homes** for people aged 65+ in the UK.

Sources:
Care of Elderly People UK
Market Survey -
Laing and Buisson 2012-13

ONS 2012
Carers UK 2012
Alzheimer's Research Trust 2010

Happy old age?

The problem is that for many pensioners and their families, it can be the worst time of their lives.

Sometimes still with a mortgage to repay and worry over how to Fund care fees.

Families are often forced to sell their parents home and spend a lifetime's savings to meet the care bills.

I want to leave all my hard earned money to the children.

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Does everybody have to pay for their Care?

Do you own assets of more than £23,250?

Community Care Act 1990

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Assets

- Home
- Buildings & Land
- National Savings & Premium Bonds
- Stocks and Shares
- Bank & Building Society
- Unit Trusts
- Trust Funds
- Capital held by CoP or deputy of CoP
- If capital held abroad the assessment of capital and ability to pay will depend on the conditions of transfer to the UK.

Investment Bonds are disregarded from the capital assessment if they have Life Assurance.

However surrender value of Bonds with no Life Assurance will be taken into account.

Disregarded are personal possessions such as paintings or antiques unless they were purchased with the intention of reducing capital for the LA assessment.

Pension Reforms

- Pension Wise Service helps people make informed choices at retirement including advice on later life and the risk they may need care in the future and will have to pay for it.
- For the purposes of charging the LA must follow the guidance set out on the treatment of income and capital.
- If a person has chosen to withdraw funds from their pension pot and manage this directly then it forms part of their capital.

Pension Reforms

- If funds have been removed and placed in another product or savings account they should be treated according to the rules for that product.
- If a person is only drawing minimal income or choosing not to draw income, the LA can apply notional income. This must be the maximum income that could be drawn under an annuity product. If applying maximum notional income any actual income should be disregarded to avoid double counting.
- If a person is drawing down an income higher than the maximum available from an annuity then the actual income that is being drawn down should be taken into account.

Tariff income of £1 for every £250 over £14,250(the lower capital limit) to £23,250

For example if a resident has £14,750 which is £500 over £14,250 a tariff income of £2 is taken into account as income.

If main income resource is the person in care and a spouse still living at home only 50% of pension income taken into account.

The Local Authority must use discretion to allow enough money to stay with the spouse to pay outgoings.

Property disregard

- Spouse or civil partner still resides in the home
- Relative over 60 resides in the home
- Disabled relative lives at the property
- Dependent child of the resident under 18 lives in the property
- The person is in the first 12 weeks of needing permanent care
- Care is being provided on a temporary basis.

The home is excluded from the means test for the first 12 weeks following admission to a care home.

This means if their remaining capital falls inside the current threshold the LA should help with the payment of care fees during that period.

The payment will only be up to their published Weekly funding limits.

Deferred Payment Scheme

If after the first 12 weeks the property has not been sold the LA can continue to pay towards the care fees under the Deferred Payment Agreement. LA have first charge on property.

Payments are made direct to the care home and the debt is rolled up until the property is sold.

DPA interest charged at Gilt rate plus 0.15% and reviewed January & June.

Interest is charged from day 1 at a rate no more than 2.50%

Deliberate Deprivation of Assets

- Gifting a lump sum
- Transferring the title deeds of a property to someone else
- Putting money into a trust that cannot be revoked.
- Converting money into another form such as paintings, antiques
- Reducing capital through substantial expenditure, expensive holidays etc.

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Deliberate Deprivation of Assets

Local Authorities have the power under the NHS & Community Care Act 1990 to recover any sums which it has to pay towards care costs from the person to whom the asset was transferred.

This power can only be used if the gift occurred within 6 months of the donor requiring funding.

However, there is no time limit as to how long after an asset is given away that the LA can take the sums into account.

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Councils are now investigating property transfers thoroughly, including Trusts.

In January the ombudsman found Dorset county council was right to include gifts totalling £40,800 as part of a person's estate when assessing her ability to pay for care. She was already receiving state support and she gave her sons £20,400 each to help pay off their mortgages.

Mental Capacity

Mental Capacity

- The Mental Capacity Act says that a person is unable to decide if they cannot do one or more of the following four things:
- Understand information given to them.
- Retain the information long enough to be able to make the decision.
- Weigh up the information available to make the decision.
- Communicate their decision.

Mental Capacity Act 2005 Principles

1. **A presumption of capacity**

   Every adult has the right to make their own decisions and must be assumed to have capacity unless medically proved otherwise.

2. **Individuals supported to make their own decisions**

   A person must be given all practicable help before anyone treats them as not being able to make their own decisions.

3. **Unwise decisions**

   People have the right to make what others might regard as an unwise decision.

4. **Best interests**

   If a person has been assessed as lacking capacity then any action or decision taken on behalf of that person must be made in their best interest.

5 **Less restrictive option**

   Someone deciding or acting on behalf of a person must consider whether it is possible to decide or act in a way that would interfere less with a person's rights or if there is a need to act at all.

Advisory Process

Acting on behalf of the client - Do they have capacity?

Ensure it is clear who the client is and involve others as appropriate.

Substituted decision making for those that lack capacity by EPA or LPA.

If Power of Attorney check documents and any restrictions.
Jointly or Jointly and Severally.

Enduring Powers of Attorney (EPA)

- Enables an Attorney to be able to act in the event of the loss of capacity of the donor

- EPA Act 1985 - can't write new EPAs but those signed before October 2007 still valid

Enduring Powers of Attorney

Must be registered with the CoP when donor has lost, or is starting to lose mental capacity.

Can use before loss of capacity but it can also be restricted so that power does not come into effect until registered.

Powers can be general or restricted and attorneys can be single or joint.

Cannot make substantial or unusual gifts without CoP consent.

Does not include personal welfare.

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Lasting Power of Attorney (LPA)

Powers of Attorney – **LPA**

- Two types – 1) Property and Affairs 2) Personal Welfare
- Must be registered with OPG before use – now a register of all LPAs
- Requires certificate provider
- Up to 5 people can be notified when registering
- Personal welfare cannot be used until capacity lost
- Existing EPA's still valid for financial decisions

PWLPA

- Decisions about future welfare or healthcare
- BUT NOT Decisions on life sustaining treatment – unless
- Specifically authorised
- Day to day care
- Consent or refusal for medical treatment

NHS and State Benefits over 65

Attendance Allowance

- Lower Rate £55.65 per week
- Higher Rate £83.10 per week

Registered Nursing Care Contribution (RNCC)

£155.05 per week

Under 65 - Disability Living Allowance (DLA) changing to Personal Independence Payment (PIP)

NHS Continuing Healthcare

- Available if medical condition is unstable/unpredictable and a need for 24 hour specialist nursing care.
- Assessed by looking at all care needs and relating them to 12 care domains and 4 key indicators.
- Nature, complexity, intensity, and unpredictability.

Care Needs & Financial Assessments

- A care needs assessment will help to enable people to stay at home, it is irrespective of how the care is paid for.

- Only once assessed with an eligible care need will a financial assessment be carried out.

Mr Jones is 88 and is about to go into residential care. He has £180,000 property which he owns outright. Also has £9,000 in the bank. His wife will continue to live in the property.

Q. Will he be self funded or State funded?

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Q. Will he be self funded or State funded?

A. State funded

Property must be excluded from means test if spouse or partner lives there

Mr Smith is 87 and about to go into residential care. He has no property. He has a joint bank account with his wife worth £50,000. He contributed £9,000 whilst his wife Contributed £41,000.

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Q. Will he be self funded or State funded?

A. Self funded

Local Authority must divide jointly held assets by number of owners

Mrs White is 84 and about to go into a nursing home. She has £70,000 in cash. She has recently suffered a stroke which has left her with complex and unstable medical needs.

Q. Will she be self funded or State funded?

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Mrs White is 84 and about to go into a nursing home. She has £70,000 in cash. She has recently suffered a stroke which has left her with complex and unstable medical needs.

Q. Will she be self funded or State funded?

A. Who knows!

NHS continuing care should be available to those with eligible needs

Funding Care Fees

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Renting

- Makes the asset work.

- May be periods with no tenant.
- Maintenance/tenant problems.
- Net return not sufficient.

Use investments

- Cash in building society/bank account poor return.
- Investments could create more income than cash.
- Poor performance could reduce capital.
- Returns less known.

Care Fee Annuities

- Helps to cap total cost of care.
- Helps protect remaining capital.
- Tax free income.

- Risk to capital in early years if no capital protection.
- May not match increase in fees.

MRS THOMAS

Aged 87 has Parkinson's suffers from depression and is confused.

She has been in a nursing home for 2 years.

Family have already spent over £80,000 on care fees.

Home has finally been sold.

Mrs Thomas

Care fees	£46,800
State Pension	£ 6,760
Widows pension	£ 4,750
Attendance Allowance	£ 4,321
	£15,831
Shortfall	£30,969

Mrs Thomas

Cash from house sale	£205,000
Premium Bonds	£ 25,000
Current account	£ 2,500
	£232,500

Mrs Thomas

Shortfall £30,969

If the capital was invested in a building society/bank type of account Mrs Thomas would need an interest rate over 13% net to obtain the income she requires to fund the shortfall.

Mrs Thomas

We looked at a Care Fees Annuity for Mrs Thomas to fund the shortfall.

The cost of the Care Fees Annuity £111,391

This would pay a monthly amount to the care home of £2,580.75

Indexed at 5% to keep up with the rising care costs

Mrs Thomas

- There was approximately £100,000 left in her estate for the beneficiaries.

Mrs Croft

Mrs Croft

Aged 85 and has dementia

Her home is sold

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Mrs Croft

Care fees	£41,600
State pension & AA	£11,040
Occupational pension	£ 8,268
Widows Pension	£ 2,412
	£21,720
Shortfall	£19,880

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Mrs Croft

Investments maturing in 2 years	£135,000
Current Account	<u>£253,000</u>
	<u>£388,000</u>

Mrs Croft

Shortfall £19,880

Increased to £20,928 to allow for personal needs

If capital invested in bank/building society type of account Mrs Croft would not be able to obtain the interest rate required to fund the shortfall.

Mrs Croft

We considered a Care Fees Annuity and investment into Unit Trusts to produce an income.

Care Fees Annuity to fund a shortfall of £1,194 per month cost £88,896 indexed at 4%

Unit Trust investment of £160,000 and an income of £550 per month taken.

Mrs Croft

Capital left for her beneficiaries:

Capital in Unit Trusts	£160,000
Investments due to mature	<u>£135,000</u>
	<u>£295,000</u>

Mrs Proctor

- Mrs Proctor is a widow aged 90 with no family, living at home with full time carers.
- She doesn't want to go into a care home but stay at home for the rest of her life.
- She has no capital and the LPA has had to lend Mrs Proctor money to pay the care fees.
- The only solution was to look at Equity Release.

Mrs Proctor

- The shortfall in income was £42,423 per annum for basic care.
- Which was being funded by the LPA and was already owed £30,000.
- LPA wanted the guarantee that the shortfall could be covered indefinitely so a quote for an Immediate Needs Annuity was requested.
- Couldn't look at Equity Release until this cost was ascertained.

Mrs Proctor

- Cost of Care Plan was £209,034.
- Full cost of care £3,535.25 per month paid to care providers indexed at 5%.
- Could now look at Equity Release to fund this and repay debts and home improvements.

Mrs Proctor

- Modest bungalow on banks of river near Cambridge.
- Attorney already had already contacted New Life who valued at £475,000.
- Properties with river frontage worth twice as much.
- Aviva valued at £800,000.

Mrs Proctor

- Borrowed £400,000 from Aviva.
- After Care Plan, debts repaid, new bathroom and other improvements, and £30,000 in current account £100,000 was left to invest.
- Invested in Unit Trusts to provide extra income for increased care fees and other expenditure.

Mrs Proctor

- Original shortfall £66,000
- Care Annuity cost £359,162

UK General Election
Care related Manifesto Summaries

- Conservatives
- Care Cap to be scrapped, but "U" turn. Consultation probable if re-elected.
- Value of person's home not taken into account - but rumours existing exclusions will be removed.
- Increase upper and lower means test threshold to £100,000 – this may mean people in excess of LA contributions will for the first time be able to be "first party top-up".

Conservative Manifesto cont..

- People at home will be able to take advantage of the existing Universal Deferred Agreements. - Currently only offered if you go into care but may be available if care provided at home.
- Relatives of people with a family member needing care will be entitled to take up to a year off work to care for them – highly likely to be unpaid.
- Winter fuel payment up to £300 will be means tested – a sensible step!?

Labour Manifesto

- Dedicated spending on social care will increase by £8 billion over the next 5 years. This includes an extra £1 billion in the current year – sounds good but where will the money come from?
- Banning of 15 minute home-care visits together with the establishment of a National Care Service and a lifetime cap on care costs – National Care Service was first introduced by Andy Burnham in 2010 when Health Secretary. Labour lost all Government power less than 2 months later.
- No specifics about the cap on care costs.

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Labour Manifesto cont…

- Plans to increase Carer’s Allowance from £62.70 pw to match Jobseeker’s Allowance of £73.10 pw – every little helps.
- Liberal Democrats Manifesto
- Will spend 1p in the pound of Income Tax on NHS and Social Care services, prioritising mental health care and limiting care costs for the elderly - brief but wide reaching.