

NHFA Infosheet

Top ten tips/Case Studies

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 pay for long-term care. Following a period of hospitalisation or an incident at home, most older people, their families or carers are unprepared for what's facing them and have very little understanding of our long-term care system. This is why it is essential to seek independent advice if they are to obtain and maintain the best possible care. The following are a number of essential points to consider that your local NHFA adviser can offer further guidance on.

1. Right of Choice

The National Assistance Act 1948 (choice of accommodation) Directions 1992 states that 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 authority's set terms and conditions
- Does not cost any more than they would usually pay.

If your chosen accommodation does cost more than the local authority is prepared to pay, then a third party is required to top-up the fees. People funded by the local authority cannot top-up the fees 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 £44.85 if you need care by day or night and the higher rate of £67.00 if you need care by day and night. **Saving up to £3,484 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 £22,250 following an assessment. 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 may be able to claim pension credit with attendance allowance during this loan period. However, if you take a deferred loan from the council and the property is not on the market to be sold it should be treated as capital and, subject to its value, pension credit could be lost.

4. NHS Nursing Care Contribution in Nursing Homes and Continuing Care

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 £101* per week.**

*This is a provisional figure based on 2007/08 and maybe subject to review.

If you have very high dependency on nursing you may be entitled to full NHS funding under the NHS continuing health care eligibility criteria which may meet the full cost of a nursing home place.

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 the value of those joint savings falls to £44,500 (i.e. double the means test limit of £22,250), no financial help is available. To accelerate financial help it is better to have separate single accounts meeting care costs from the account of the person in the care home.

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. Lasting Power Of Attorney

Consider drawing up a Lasting Power of Attorney when you are fit and well. For the sake of paying a solicitor's 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. **Avoiding Court of Protection costs.**

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 £22,250) make sure the local authority social services department will fund the care you have chosen and that the care home will continue to accommodate you at what the local authority are prepared to pay. Otherwise you may find yourself having to move to cheaper accommodation or asking the family to top-up. **If you are self-funding your care we will provide you with a Care Fees Funding Report. This will clearly illustrate the affordability of your chosen care over the short and medium terms.**

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 were 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.**

10. Immediate Need Care Fee Payment Plans.

If you are selling your home to pay for care, consider purchasing an Immediate Need Care

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Fee Payment Plan. These plans are specifically designed for people who need care. Similar to an annuity, they deliver a regular guaranteed tax-free income higher than can normally be achieved from traditional investments or annuities. Normally requiring just part of one's capital to purchase, they are a way of meeting care costs whilst potentially capping the cost of care. Thus, as so many older people wish, enabling an inheritance to be left for the family. The price of a care plan depends on an assessment of life expectancy taking into account one's health and age.

Therefore, the more impaired the life the lower the cost. There are only a few companies that offer this product and their actuarial view of life expectancy can be quite varied consequently so can the plans price. To combat this and obtain the best possible price for clients NHFA uses a common application form and health questionnaire submitted to all companies. **Saving time and energy in obtaining peace of mind.**

Some Facts about Care Fee Payment Plans

- Unlike ordinary annuities, terms are only marginally affected by interest rates.
- Prices can vary significantly through different actuarial interpretation of life expectancy. (See sample premium table).
- For a reduced cost, Deferred Care Plans can be purchased which begin payments from 2 years of purchase.
- 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 can provide the certainty of a rising income for as long as a person needs care.
- Capital protection can be included for an extra cost.
- No medical is required. Underwriting is usually based on a GP report or care home's medical assessment.

- NHFA's common application form ensures that All providers can potentially offer terms thereby identifying the lowest priced plan available.

Other suitable financial products for meeting care costs will depend on individual circumstances and one's view on investment and risk. There are various forms of investments that can often provide a greater return than leaving money on deposit and can facilitate regular withdrawals for meeting care home fees. Specialist advice should be sought before proceeding with any form of investment for meeting care costs. **The underlying aim is to enable care fees to be met for as long as care is needed whilst as far as possible preserving one's original capital.**

Taking the worry out of paying for care
This is the aim of NHFA Care Fees Advice, to enable older people to continue meeting the cost of their chosen care whilst also preserving their original capital and with that,

their independence and dignity. Unlike many older people today, our hope is that the longer NHFA clients enjoy their stay in care homes the more money they are able to leave for their families.

Since 1992 NHFA Ltd has been successfully advising older people and their families how best to meet their care costs. In order for you to understand how care plans work below are three actual case studies. (Names have been changed to protect confidentiality.)

Gordon – Immediate Care Plan and Investments

Gordon, aged 95 had become very frail following a heart attack and stroke in March 2003 and needed to move into a care home. In May 2003 his daughter Maureen, who had lived in Australia since the mid 60's, flew home to make the necessary arrangements. She only had 3 months in which to organise everything

Sample Immediate Need Care Plan Prices

Gender (M or F)	M	F	F
Date of Birth	5/1/13	23/2/10	22/1/20
Plan Income PCM (£) increasing at 5% pa	1850	2640	980
Health Impairment	Heart	Stroke	Dementia & Stroke
ADL Failures 4= Major assistance, 1= Independent			
Dressing	2	4	4
Bathing	1	4	4
Feeding	4	2	3
Toileting	2	4	4
Mobility	3	4	3
Cognitive Ability	Y	N	Y
Company Offers - Income escalating @ 5% PA compound (£)			
AXA PPP	77135	105661	43536
PA	72843	104651	58783
LV	86063	94152	80523

These figures will vary according to individual circumstances. Source: Insurance company quotes, compiled by NHFA in January 2008

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and then could only visit once a year so she needed someone here who she felt comfortable with to help her look after her father's affairs.

She contacted several organisations but felt NHFA was the most appropriate to assist her and a meeting with the Adviser local to her father was arranged.

Gordon was receiving a State pension and higher rate Attendance Allowance together adding up to £585 per month. The fees for the care home they chose were £2,167 per month and they decided he would need a further £65 to cover his few personal expenses. The shortfall in income was therefore £1,647 per month. Gordon had savings of £69,000 and a property worth £200,000 therefore he could expect no funding from his local authority.

Taking the worry out of paying for care
Maureen had no idea how the care system operated in the UK or what financial products were available and therefore needed very careful guidance to enable her to fully understand her father's situation.

Gordon's local NHFA Adviser prepared a detailed report clearly illustrating his options for meeting his care costs over the long-term. After Gordon and Maureen had considered this they decided to proceed with an Immediate Care Fee Plan which, by using just part of his capital £39,297, provided £1,647 income per month increasing by 5% per annum compound to meet the income shortfall required. Gordon and Maureen chose to invest the remaining capital of £205,000, generated from the sale of his property, in a portfolio of bonds avoiding equities and spread across cautious funds including commercial property, gilts and corporate bonds and retained the balance on deposit for contingencies. At this stage the NHFA Adviser met with her father and the Care Home owner so, in Maureen's absence, they had a contact they knew and could relate to.

Maureen completed all the business dealings just before she was due to return to Australia. Since then she has visited at least annually and met with her father's Adviser to review his affairs.

Maureen can continue with her life in Australia with the peace of mind knowing that her father is being cared for and his finances are under control. Up to April 2007 the care plan, which cost £39,297 had paid out £80,040 and the original investments of £205,000 continued to benefit from growth thus, together with the monies retained on deposit, potentially regenerating his Estate to the amount that Gordon had wished to leave for Maureen.

Delia – Deferred Care Plan

Delia was diagnosed with dementia in 1998, five years on her health had deteriorated to a point where she was unable to care for herself properly at home. In January 2003, at which point it had become apparent that Delia would need to move into care, her son-in-law, Graham, contacted NHFA for advice.

Delia moved into residential care in July 2003, but her property remained unsold at this time. The residential home cost £2,708 per month and with an income of only £1,038 per month, consisting of pensions and lower rate attendance allowance, this left Delia with a shortfall of £1,670 per month.

By January 2004, Delia's property had sold and her deteriorating health now meant that she was entitled to claim higher rate attendance allowance, reducing her monthly shortfall to £1,589 per month.

Taking the worry out of paying for care

After discussing the options available to meet Delia's care costs with their NHFA adviser, Graham decided that a Deferred Care Plan best suited Delia's needs. Their NHFA adviser had already applied for quotes regarding this option whilst the property was

still on the market. Although Delia's shortfall had reduced since the original quotes were received, Graham made the decision to leave the figures as they were so it would help to counter balance future inflation.

The selected Plan had a one off cost of £55,258, some £10,000 cheaper than a quote provided by another insurance company. For this one off fee, the Plan would provide monthly payments of £1,648 commencing after the specified deferred period, in this case 24 months. The payments will be made tax free* directly to the care provider for the rest of Delia's life and will increase by 5% per annum.

As with many cases, purchasing a Deferred Care Plan meant that Delia had funds remaining. These funds were placed in a deposit account which would initially meet her residential care costs until the Deferred Care Plan started to make payments in 24 months time.

By March 2008, the Deferred Care Plan, which had cost £55,258, had already paid over £50,000 to the care provider.

Although Graham decided not to purchase capital protection for the Deferred Care Plan, which means that there will be no return of capital upon Delia's death, he was happy that her care fees would be met for the rest of her life.

** If payments are made directly to the care provider they can be made tax-free.*

Mabel – Care Plan and Investments

Mabel aged 84 had suffered from Dementia for a number of years, during which time her husband had been her primary carer. On his death, the extent of Mabel's confusion, which was compounded by her macular degeneration, became apparent to the rest of the family. As she was unable to cope at

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home and a danger to herself, the family arranged a trial period in a Care Home. Worried about the cost, they were at a loss to know where to turn until March 2004 when they contacted NHFA Care Fees Advice and were immediately put in touch with their local Adviser who saw them within days.

Mabel owned her own home and had a small amount of capital, in total about £140,000. She received a State Pension, a small Occupational Pension and, at that time, lower rate Attendance Allowance. She also had an income of about £250 per month from a family trust. There was a shortfall between the cost of her care and income of just under £550 per month.

Taking the worry out of paying for care

Mabel's Adviser immediately recommended that the family claim higher rate Attendance Allowance, immediately reducing the shortfall. He then provided a comprehensive report showing the family a range of options for the funding of Mabel's care showing the potential financial consequences of each. The option the family preferred was to use an Immediate Needs Care Fee Payment Plan to fund the shortfall, while investing the balance of her funds in a combination of a high interest deposit account, to provide spending money and to cover contingencies, and long term

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

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investments structured for capital growth. These incorporated guaranteed death benefits, to guard against adverse short-term fluctuations in the investments. One of the family's major concerns was that they were a long living family and that, apart from the dementia; Mabel was very fit for her age.

Mabel's Adviser, having obtained quotations from all of the Care Plan providers showed the most economic single premium to generate the required extra income of £550 per month, to include spending money for Mabel, would be £40,077. This left £20,000 to be kept on deposit to cover contingencies and any other needs Mabel had including birthday and Christmas presents that the family knew she would want to give; £40,000 for investment into a Commercial Property Fund and £30,000 into a Cautiously Managed Fund, both with death benefit guarantees.

Three years later, the Care plan has provided £21,093 in income and the investments have participated in growth.

Mabel, though increasingly confused, continues to enjoy good health. Her family are delighted that Mum's care fees are being covered, that she will be able to stay in the home which she knows and feels secure in and that, when the inevitable happens, subject to investment performance, there will be a significant Estate from which they and their children will benefit.

Wealth Warnings

In the above case studies the clients have chosen and benefited from care plans over a number of

years. Although it is often the case that people can live for many years whilst receiving good quality care it can also be the case that death can occur sooner than expected in which case the capital required to purchase the care plan could be lost to the Estate. Care plans are one option for meeting care costs and families must weigh up the peace of mind factor of knowing that a regular income is going to be received for as long as care is needed and that they are potentially capping the cost of care against the risk that the purchase price of the plan could be lost to the Estate on premature death unless capital protection is purchased.

With regards to investments, past performance is not a reliable indicator of future returns. The value of investments can fall as well as rise and may fall below the amount originally invested.

Tax is dependent on individual circumstances and can be subject to change in line with HMRC's proposals.

NHFA advice is available to all regardless of means

Capital limits and DWP benefits referred to in this sheet relate to residents in England Only

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Case Studies / Top Ten Tips
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NHFA care advice line 0800 99 88 33 *
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