Case Study

Due to a rapid deterioration in health, Mrs A’s family decided that full time care from a residential care home would be most appropriate.

The care home fees were estimated to be £2,126.12 per month (£25,513.44 per annum) with costs anticipated to increase over future years. Based on Mrs A’s regular monthly income the family were faced with a shortfall of approximately £1,700 per month to fully cover the cost of providing care and Mrs A being able to remain in the care home of her choice.

The family decided that they would sell Mrs A’s family home in order to generate a lump sum and after discussing the options with James Mann, Independent Financial Adviser, the family now fund the shortfall in care fees via an income from an Immediate Care Plan purchased in August 2010, whilst also ensuring that sufficient monies were held on an instant access basis to provide some income for regular expenditure on personal items and a form of contingency fund.

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Why Simpson Millar Financial Services Ltd

Simpson Millar Financial Services Ltd will assist you in ensuring that you receive appropriate care fee planning advice to meet the needs and objectives of your elderly relative. James Mann, Independent Financial Adviser, holds the specialist qualification in Long Term Care Planning and is therefore appropriately qualified to assist you with your requirements.

Simpson Millar Financial Services Ltd is also an Independent Financial Advisers Firm which means that we can provide advice on products from the whole of the market rather than from a handful of providers like tied agents and company representatives. This means that we have a wider range of products to choose from when trying to meet our client’s needs and objectives.

James Mann Independent Financial Adviser for Simpson Millar LLP comments:

“When discussing the main priorities for providing full time care to a family member the main concern for the family is continuity of care from the care home of their choice – an Immediate Care Plan can provide the family with:

a) greater flexibility when choosing a care home as Local Authority Funded Homes need not be the only options and
b) assurance that funds will never run out leaving them to concentrate on enjoying the remaining years with their loved one without the financial burden that many face when considering care home options.

With care home fee rising at a rate higher than inflation over the past few years it is important that families receive Independent Financial Advice when considering Immediate Care Plans to fund care fees, this ensures that the options are properly addressed and considered and the plan is set up to best meet the individuals needs.”

The Team

James Mann – Head of Financial Services

James has been working in financial services for 10 years, during this time he has provided clients with bespoke advice on inheritance tax mitigation, retirement planning and portfolio construction for individuals and trusts. Having previously read Economics at Newcastle University, he holds the Advanced Financial Planning Certificate.

Nicola Hartley – Independent Financial Advisor

Nicola has worked for Simpson Millar and within the Financial Services Industry for 8 years starting as a financial administrator, progressing to Paraplanner, and then IFA. She obtained the Diploma in Financial Services in October 2010 and has recently undertaken a specialist exam in Retirement & Pension Planning.
What is an immediate care plan?

In many ways Immediate Care Annuities are similar to annuities that individuals purchase with their pension funds on retirement – in exchange for handing over a capital lump sum, the purchaser receives a promise from the insurer to receive a fixed income for life. They are however typically more advantageous than conventional annuities for the following reasons:

- They typically pay out a much higher level of income because the purchasers medical conditions means that they are unlikely to receive as many payments as other annuitants
- The other reason that they typically receive higher income levels to conventional annuities is that in most case those opting to take out this product are significantly older
- The main advantage to an Immediate Care Annuity however when compared with a conventional annuity is that the income if paid directly to the chosen care home is 100% tax free – unlike conventional annuities where the income is taxable at your marginal rates (20% for basic rate payers and 40% for higher rate payers etc).

Won’t the Local Authority just cover the cost of care if a loved one enters a residential care home?

Not necessarily, currently if an individual has assets worth over £23,250, including their home, they will be expected to pay for their care costs in full. Individuals with assets below £14,250 can expect to have their care fees paid in full however the state may expect a contribution if certain benefits or any income is being received by that individual.

For those with assets worth between: £14,250 and £23,250 a reducing scale of support applies based on the person contribution £1 per week to care for every £250 in assets over £14,250.

For example an individual with assets worth £20,000 would be expected to contribute £23 per week to their care (£5,750/£250 x £1 = £23).
Some assets maybe disregarded for the means-testing, including:

- Value of life policies/annuities
- Some compensation payments held in trust or by the courts
- Some investment bonds which have a life assurance element (check with provider)
- Property that continues to be inhabited by a partner, dependant or certain other parties

Jointly held savings will usually be divided two to calculate an individuals share. From **2016** a new increased cap of **£72,000** will be introduced to limit the amount people have to contribute to their own care costs. Key is that the cap will only apply to “personal social care” – which typically represents a third of all residential care costs.

The cap will not cover general living expenses or any costs for care which are above the rate that the Local Authority would pay (this may not be the actual cost of care needed, as many private residential homes cost more than the Local Authority would pay)**¹**. This means that both before and after an individual reaches the **£72,000** threshold there may still be a gap which has to be made up from their own funds.

With the average value of a property in the UK estimated at **£167,912** it is easy to see that even when the new higher cap comes in force in **2016** that many surviving spouses who own their own home will be expected to fund their own care fees in full.

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¹ BBC News 30th May 2013