ST. JAMES'S PLACE
WEALTH MANAGEMENT

CARE FEES PLANNING

PARTNERS IN MANAGING YOUR WEALTH

The Partners at St. James's Place who operate in the care market are selected based on their knowledge and experience in advising families about their choices when it comes to receiving and paying for care. Although this guide has been compiled to help you understand your options; to make the process less daunting, it cannot replace the advice of our Partners.

TAKING THE STRESS OUT OF PAYING FOR CARE

Selecting the right care for ourselves, or a relative, is something few of us have experience of. After all, for most of us, it is something we may only have to do once. It is however a growing issue for many people in the UK and, as life expectancy continues to lengthen, it is something that an ever increasing proportion of the population will need to address.

If you are planning for your own care, the costs involved can be daunting to say the least. The average cost of residential care in the UK is currently estimated at £600 per week. If nursing is also required, this can rise to £841 per week. The average cost of care in your own home is £14.28 per hour*. However, these averages not only vary from region to region throughout the UK, but are suppressed by local authority rates, and fees of £1,000 to £1,250 a week are not uncommon. While the state can help with some costs, eligibility is limited and many people find themselves over the threshold at which state support is provided.

The subject of state care funding has received increased attention; and with 2020 expecting to see the launch of the delayed £72,000 care cap, introduced by the 2014 Care Act to limit the amount individuals will have to contribute to their care costs, this attention is likely to continue. However, while this is an important and welcomed step forward in the reform of adult social care, there remains considerable concerns that, for many, the real cost of care will far exceed this sum. It is, therefore, also welcome that the need for information and advice is acknowledged within the Care Act to be provided by financial advisors 'trained to an appropriate standard'.

We hope this guide serves to point you in the right direction, and starts to take the stress out of assessing your options. When you are ready to take some decisions we hope that you will speak to your St. James's Place Partner.

* *Source: Laing Buisson Care of older people, UK market report 2016/17*

CONTENTS

CHOOSING THE RIGHT KIND OF CARE

CARE AT HOME

Care at home, sometimes also referred to as 'domiciliary care', is something most of us would choose as a first option. Not only is it a realistic alternative, but local authorities, in practice, try to support this for as long as possible. Care at home does not have to mean personal care; it could mean a hot meal, a laundry service, help with cleaning or even keeping the garden tidy.

If staying at home is not possible, but you are not ready to move into a care home, then 'independent living schemes' may be an option. These are also referred to as extra care/assisted care or retirement villages. The facilities and choices vary considerably but do provide independent living, albeit with varying care provision. Schemes can be privately rented, shared or owned properties, or have a social landlord. Your local district councils' housing officer should be able to provide information or you could contact a specialist housing service such as Shelter.

RESIDENTIAL CARE

If you need more help with day-to-day personal care, residential homes have care assistants and may therefore be the right option. They do not, however, provide health or nursing care. Some residential homes may have a registered nurse on their staff, but this is not the same as being a registered nursing home.

NURSING CARE

If your needs include a medical element, then provision of care by a registered nurse and a higher staff to resident ratio from a nursing home, may be a more suitable option.

Some care homes provide residential and nursing beds. These are often referred to as 'dual registered homes' and are often suitable for people whose needs are likely to increase or change in the future.

EMI/SPECIALIST CARE

EMI stands for 'Elderly Mentally Infirm'. While this is not a particularly pleasant term it does, nevertheless, indicate homes with the ability to provide more specialist care. They offer higher staffing to resident ratios and a more secure environment which may be needed as dementia progresses.

SELECTING A CARE HOME

Even when you have made a decision to move into residential care, do not be rushed into selecting a care home. Take your time; visit as many homes as you can, get advice and the views of family or friends. Compare the properties, the facilities and remember, this will be your permanent home. The following questions are just some of those we believe you would benefit from considering.

Remember, when looking at the questions, it is what is important to you that matters.

THE BUILDING

- Is it in the right location? Is it close enough to family and friends and are there sufficient transport links and parking to enable them to visit?
- Are you comfortable with the size and type of property? Would you prefer a larger home with more people, a more modern or older property?
- Are there any restrictions for visitors? Are they able to stay over, can children visit, do they need to book an appointment?
- Is there a garden and are the grounds generally accessible with somewhere for you to sit out or perhaps have an area of your own?
- How secure are the grounds? What are the safeguards for you and your possessions?

FIRST IMPRESSIONS AND FACILITIES

- Is the home clean and does it smell fresh? How do the residents appear? Are they busy and motivated?
- Is there a regular programme of activities, and are the staff welcoming, friendly and interacting with the residents?
- Do you have your own space with a separate choice of quiet sitting rooms, a separate TV lounge or separate dining areas?
- What are the catering facilities? Is there a good choice? Can they cater for any special dietary requirements and can visitors join you for meals?
- Does the home allow pets?
- Does the home have Broadband or Wi-Fi connections?

MEETING YOUR CARE NEEDS

- What is the staff to resident ratio, and does this change from day to night time?
- What is the turnover of staff and percentage of agency workers?
- What happens if your needs change in the future?
- How would your specific needs be met, not just personal care, but other aspects such as religious or social preferences?
- Has the home had a Care Quality Commission (CQC) report, and can they provide you with a copy?

CONTRACT

- Before you sign any contract, are you able to move in on a trial basis?
- Is there a difference between self-funders and local authority funded residents at the home?
- Obtain a copy of the contract and check whether it includes everything that you will need. To what extent are there any extra charges for activities or the provision of care that will be relevant to you?
- What are the terms of the contract in respect of any hospital stay, or termination clauses, should you move or on death?
- If your funds reduce, will the home accept the local authority rate or will there be a need for a personal or a third party top-up? What is the home's policy if funds run out?

This is not an exhaustive list but a good starting point, and other questions may come to mind when you visit the homes.

REGULATORY BODIES

The independent sector of social care services, in particular, has witnessed several changes of regulator, regulatory standards and guidance, and inspection regimes in the last few years' and we are likely to see yet more changes. However, at the present time, the relevant regulatory bodies in the UK are as follows:

ENGLAND	Care Quality Commission
WALES	Care and Social Services Inspectorate
SCOTLAND	Care Inspectorate
NORTHERN IRELAND	Regulation and Quality Improvement Authority

Each of these organisations are set up to regulate all sectors of the care community, from domiciliary care providers to residential and nursing homes. They all have their own websites and can provide access to the latest inspection reports for care providers.

GETTING HELP FROM THE STATE

You will have a 'needs assessment' and, if you are deemed to have qualifying eligible needs, the state may provide assistance – albeit limited.

QUALIFYING FOR SUPPORT

State assistance with the cost of social care is means-tested – primarily by imposing upper and lower capital limits on the value of your savings, property and other assets.

Where an individual's assets, including any property, have a total value of less than lower capital limit, care bills will be paid in full by the State, although they may expect a contribution if certain benefits or any income are being received by that individual.

If personal assets exceed the upper capital limit, an individual will normally be expected to pay for their own care in full. Different upper and lower capital limits apply depending on where you live in the UK. To view all the allowances and benefits please ask your St. James's Place Partner for a copy of the Long Term Care Limits, Allowances and Benefits factsheet.

In England, Scotland and Northern Ireland, where personal assets are between the lower and upper capital limit a reducing scale of support will apply. For every £250 in assets over the lower capital limit the individual will be expected to contribute £1 a week.

Your care needs will be assessed and defined as either 'critical', 'substantial', 'moderate' or 'low'. Many local authorities apply the 'substantial' or 'critical' definition of eligible needs when considering if support is available. If your care need is considered to be 'moderate' or 'low', no support will be available, even if your assets fall below the upper capital limits.

FINANCIAL ASSESSMENT

Local authority means-testing will look to include most capital and savings held in your name, including:

- bank and building society accounts
- national savings and premium bonds
- stocks, shares and most investment products
- income from State, personal and occupational pensions
- property and land (less any mortgage).

Some assets are disregarded by the means-test, including:

- value of life policies
- some compensation payments held in trust or by the courts
- some investment bonds with a life assurance element (check with your provider)
- property that continues to be inhabited by a partner, dependant or certain other parties.

Jointly-held savings and assets will usually be divided in two to calculate an individual's share.

Some forms of income will also be disregarded from the means test including War Widow's special payments, the mobility component of the Disability Living Allowance and – within certain limits – spouse/partner payments from a private or occupational pension. The local authority will assume that income from benefits such as the Pension Credit is being fully claimed, so it is important that all relevant benefits are taken up. Local authorities may also want to look at recent transactions to check that a person has not deliberately deprived themselves of capital to qualify for care support – for example, transferring a property into the name of a family member or investing capital in an investment bond at very short notice.

REVIEWING QUALIFICATION

The rules are stringent and mean you may not get any state help with the cost of care. But your assets can be reassessed over time, and in the event of assets falling below the upper capital limit, the authorities will start to help with funding.

BENEFITS AND ALLOWANCES

A number of benefits and allowances are available to help those requiring care.

PERSONAL EXPENSE ALLOWANCE

Individuals who have their care fees paid by the State are allowed to keep a small allowance from their pensions for their own personal use.

NHS-FUNDED NURSING CARE

NHS Funded Nursing Care is a non-means-tested benefit that provides care by a registered nurse to people assessed as eligible and who live in a care home registered to provide nursing care. An assessment for NHS Continuing Care should be carried out before a decision is made about eligibility to NHS-Funded Care. You may be eligible for NHS-Funded Nursing Care if you do not qualify for Continuing Care, but have been assessed as requiring care from a registered nurse.

ATTENDANCE ALLOWANCE

Attendance Allowance (AA) is a non-means-tested, non-taxable allowance for people aged 65 or over, who are physically or mentally disabled and require care for six months or more. There are two rates; the lower for those who need care by day or by night, the higher for those who need care both day and night.

DISABILITY LIVING ALLOWANCE

Disability Living Allowance (DLA) is a non-means-tested, non-taxable allowance for people under the age of 65 who are physically or mentally disabled. There are two components – a care component and a mobility component.

For the care component, the lowest rate is payable if care is needed for a significant proportion of the day or for those who are unable to prepare a cooked meal. The middle rate is payable if frequent attention or continual supervision is needed throughout the day. The highest rate is paid if the person satisfies the care and/or attention conditions both night and day.

For the mobility component, the lower rate is payable if, although able to walk, a person needs someone to guide and supervise for most of the time they are outdoors. The higher rate is payable if the person is unable or virtually unable to walk due to physical disability, severe mental impairment and also qualifies for the care component at the highest rate.

PERSONAL INDEPENDENCE PAYMENT

From 8 April 2013, Personal Independence Payments (PIP) replaced Disability Living Allowance (DLA) for new claimants.

For existing claimants of DLA, PIP will be gradually phased in. The Department for Work and Pensions will write to individuals informing them that their DLA will end and invite applications for PIP.

PIP is made up of two components, whether you qualify for both will depend on how the condition affects you.

You may be eligible for other benefits such as *Pension Credit* and *Winter Fuel Payments* – so please do check.

CONTINUING HEALTHCARE

This is also known as 'continuing care' or 'fully funded NHS care'. Continuing Healthcare is a package of care arranged and funded entirely by the NHS for individuals who are not in hospital but nevertheless have primary health and ongoing health care needs.

HOW TO COVER THE COST

Unfortunately, one in four people who fund their own care run out of money**. Most commonly, this is because they do not consider all the options or take proper advice.

The problem is that nobody can predict how long care will be required and therefore how long it will have to be paid for. Running out of money means relying on the local authority to fund your care, and there are no guarantees the local authority will wish to maintain the same payment levels. Unless your family is able to make up the difference, compromises may have to be made regarding, for example, the size or outlook of the room or moving to an alternative care home. In addition, of course, using up all the money to pay for care means there is no legacy to leave to loved ones.

However, with financial planning it may be possible to fund care for as long as required, whilst safeguarding as much capital as possible. For this reason consulting with a care fees advisor is essential from both a health and financial perspective.

PAYING FOR CARE – SOME OPTIONS

Own income: You may receive sufficient income from pensions and existing savings and investments, or rental income from your home, to pay for care in full, or as a 'top-up'. Even if this is the case, take advice. It is likely improvements can be made.

Family contribution: Your family may be able to cover some or all of the cost, or difference in cost, as a 'top up'. If neither of these are an option, you will need to raise money either by accessing savings or investments, releasing money from your home via an equity release plan, or selling the home (see over).

***Source: Partnership 2013*

Savings accounts: This includes money held in deposit accounts, Cash, Individual Savings Accounts (ISAs) and National Savings. Very low risk, but with current rates of interest you will need to ensure your capital is not eroded too quickly.

Investments: There are many possibilities here, from investment bonds and unit trusts to shares. However, the most profitable are usually the highest risk, therefore a balance may need to be struck. Where the investment is made into equities, the risk is that the value and any income provided may fall as well as rise and you could get back less than the amount invested. This means that they will not provide the security of capital associated with a deposit account with a bank or building society.

The value of an investment with St. James's Place will be directly linked to the performance of the funds you select and the value can therefore go down as well as up. You may get back less than you invested.

Care Fees Plans (also known as Immediate Needs Annuities): These are specialist insurance plans designed to convert capital into income to help meet care fees. In return for a one-off lump sum you receive a guaranteed tax free income for life, provided that it is paid directly to the care home.

The levels and bases of taxation, and reliefs from taxation, can change at any time. The value of any tax relief depends on individual circumstances.

YOUR PROPERTY

The proceeds of a house sale can be used to support any of these options if other assets on their own are insufficient[Δ].

[Δ] *More often than not property is the key asset when it comes to funding care and the proceeds achieved are critical to the options available. It is therefore essential to work with a company such as Bridgefast who can professionally manage the property sale and associated matters plus when necessary provide short term funding.*

Equity release[†]**:** As long as someone is still resident at the property, this enables funds to be released while still allowing the home to be retained (however, the debt has to be cleared on your death).

[†] *This is a lifetime mortgage or home reversion plan. To understand the features and risks associated with such products, please ask for a personalised illustration.*

Rental: Letting out property could deliver a regular income stream but owners need to be sure the net income after bills and allowing for periods of vacant tenancy and management costs, will be enough to cover care bills.

Deferred payment agreements (DPA): The DPA enables an individual to access a loan from the Local Authority secured against their property. Interest can be accrued, and the entire debt must be repaid within 90 days of death.

THE CARE ACT

On 14 May 2014, the Care Bill received Royal Assent and, consequently, became the Care Act 2014. It replaces previous law regarding those requiring care and is enacted in two stages.

STAGE ONE

The first stage of the Act, which was implemented from April 2015, looks to address the most important element issue, that of the level of care itself.

National minimum eligibility

Currently local authorities have the ability to decide to decide whether or not they will contribute to or, indeed, meet care costs of individuals.

However, since this stage of the Act was implemented, clear and transparent guidance has been provided to local authorities for when they should provide support to individuals. This support will be produced based upon national minimum eligibility criteria which, if an individual meets, the local authority must meet set care costs.

Deferred payment agreements

This stage also introduced a universal deferred payment arrangement (DPA) which is aimed at ensuring no one will have to sell their home to pay for care. A DPA enables an individual to access a loan from their local authority (the amount of which is determined by the house price), which, in turn, puts a legal charge on the property in order to cover that loan; albeit, the loan received, plus interest accrued (and any admin costs), will need to be repaid 90 days after death. You should be eligible for a DPA if you are receiving, or about to receive, care in a care home, you own your home◊ and you have savings and investments (excluding the value of your home) of less than the upper capital limit.

◊ *The value of your home should be excluded from the financial assessment if your spouse will continue to live there, or in certain other situations.*

Support for carers

Prior to April 2015, carers would only be considered for a carer's assessment if the support they were providing an individual was viewed as 'regular and substantial'. Even when a carer was viewed as providing this level of care, the local authority did not have to support them.

As of April 2015, carers are permitted to have a carer's assessment and, if the carer is eligible, they will be offered support. This ranges from someone to talk to, a direct payment to spend on practical support or, to allow them to have a short break.

STAGE TWO

The second stage of the Act has now been deferred to April 2020 and aims to make available greater financial help to those who need it.

New upper and lower capital limits

Financial means testing will continue to be used to establish who will be entitled to financial assistance from the local authority, with increases to both the upper and lower capital limits.

Upper capital limits – where an individual is in a care home and the value of their property is taken into account when calculating what they can afford to pay, they could be eligible for local authority financial support if this is less than or equal to £118,000. However, this will be reduced to £27,000 where the property is disregarded, perhaps because their spouse occupies the property or because they receive care at home.

Lower capital limits – any individual with assets of less than £17,000 will not be expected to pay for care. They will, however, be expected to contribute towards their care from any income they receive. If assets fall between the lower and upper capital limits a 'tariff income' will apply.

The Cap

The £72,000 cap looks set to, for the first time, limit the amount of money some individuals pay towards their care. For this cap to apply, an individual will be required to meet the definition of 'eligible'.

However, although the cap will apply to those who meet the 'eligible' definition, the monies that can count towards the cap are limited to the amount the local authority would contribute. Each local authority sets a maximum allowance for care costs and any costs that exceed what the local authority would be willing to contribute, will not count towards the cap. Secondly, costs associated with accommodation and food, often referred to as 'hotel costs', will also be excluded from the cap. This figure is expected to be set at £12,000 per year. Finally, any contribution towards care costs made prior to April 2020 will not be counted towards the cap either.

LOCAL AUTHORITY RESPONSIBILITY

Local authorities will have their responsibility extended and clarified. When it comes to social care they will have a duty to promote; individual wellbeing, social integration and the diversity and quality in the provision of services. In addition, they must provide information and advice on the provision of, and paying for, care.

The Care Act will only apply in England, although the Health Research Authority will co-operate with organisations across the whole of the UK.

GIVING SOMEONE YOU TRUST THE POWER TO MAKE DECISIONS FOR YOU

We all hope to remain healthy and independent but, unfortunately, this is not always the case. For some of us, there will come a time when we are not physically or mentally able to make decisions for ourselves. For this reason it is worth planning in advance so someone you know and trust can manage your affairs for you if the need arises.

The legal power to act on behalf of someone who is mentally or physically incapacitated is known as a Lasting Power of Attorney (LPA). LPAs replaced the Enduring Power of Attorney (EPA) from October 2007. Existing EPAs continue to be valid whether registered or not. They do not need to be replaced by LPAs. However, new EPAs can no longer be made.

WHY DO I NEED AN LPA?

If you lose the mental capacity to make your own decisions, without an LPA in place, an application would need to be made to the Court of Protection for someone to be designated to act on your behalf. This cannot only be very time consuming and expensive, but importantly it would mean that you have no control over who is chosen to act on your behalf.

SETTING UP AN LPA

An LPA can only be created if you, the donor, has full mental capacity. We would highly recommend that you obtain professional help and we can recommend a solicitor who will arrange an LPA for a fixed fee. The solicitor will ensure you understand the document, how it can help you and what the attorneys can and cannot do on your behalf. Should you wish, they will act as a certificate provider, which is required for a valid LPA, and register it with the Office of the Public Guardian. At this point, your chosen attorney, who can be a family member or friend, will be able to act on your behalf. The attorney must be over 18 years old and of sound mind. You can appoint more than one attorney to act, and arrange the LPA such that they act together, so they are all required to sign any documentation, or alternatively, you can appoint them so only one would need to provide a signature.

TWO TYPES OF LPAS

There is a 'property and financial affairs' LPA which enables the attorney to make decisions regarding how your money is managed, and how your property and other financial affairs are dealt with. Then there is a 'personal health and welfare' LPA and this enables your attorney to make decisions that impact your medical condition, including where you live and your day to day care, or specific medical treatment.

You can choose to put in place one or both, and can have different attorneys for each; the decision is yours.

GIFTING

An attorney's ability to make gifts on your behalf is very limited without reference to the Office of the Public Guardian. There are, however, alternative options should you wish to engage in, say Inheritance Tax planning.

PLANNING

Whatever your current position, it will always pay to be prepared.

CARE NEEDS

Not only will a local authority do an assessment of your care needs, but they are often able to help with other support services that may prevent or delay the need for care. Indeed, the Care Act includes specific regulations requiring them to do so.

CARER'S ASSESSMENT

This is an assessment that looks at what care and support is being provided, by whom, and how the carer could be supported to enable them to continue to provide care. This can be anything from a simple 'sitting service' to give the carer a break, or opportunity to pursue an outside interest.

SUPPORTING SERVICES

There are many support services that, all too often are not considered until a time of crisis arises. A number of these can help long before such an event, and even help avoid it occurring altogether – so do not suffer in silence.

MAXIMISE BENEFITS

There are means-tested and non-means-tested benefits. If you are entitled to them make sure you claim them. There are many good calculators on the internet and some local authorities have benefit teams who can help you. There are also a number of voluntary agencies who can do benefit checks and even help with application forms.

MANAGING YOUR FINANCES

Looking after your finances can have a dramatic effect on your ability to pay for the type of care or care home that you require. All St. James's Place Partners operating in the care market have expert knowledge and experience in this field. If, for whatever reason, you would rather speak to an alternative adviser, please contact the Society of Later Life Advisers at www.societyoflaterlifeadvisers.co.uk

WILLS AND POWERS OF ATTORNEY

You should also consider who will manage your finances or health decisions if you are no longer able to do so. If you do not have an Enduring or Lasting Power of Attorney, consider it – discuss it with your family. If you do not have a Will that deals with much more than just your finances, think about it. Do not assume that everything will simply pass automatically to your spouse and/or children.

Powers of Attorney and Will writing involve the referral to a service that is separate and distinct to those offered by St. James's Place and are not regulated by the Financial Conduct Authority.

FREQUENTLY ASKED QUESTIONS

The following questions are typical of common concerns raised. Hopefully the answers will be of value to those experiencing similar issues.

Question: Our parents have a joint income and around £35,000 in savings. My father needs to go into nursing care, but my mother wants to remain at home; can we be forced to sell the property to pay for dad's care?

Answer: No. So long as your mother continues to live in it, the property won't be included in the means-test for care funding. However, half of their joint savings will be. With £17,500 in assets, your father is above the lower capital limit and will be expected to make a contribution towards the cost of his care.

Question: My widowed father needs to go into care now. He does not qualify for the local authority funded care due to the value of his house, but the property slump means it may take months to sell his bungalow to help with the costs. What can we do?

Answer: The local authority should disregard the property from the cost of care for the first 12 weeks. If your father's other assets are worth less than the upper capital limit he should be eligible for a Deferred Payment Arrangement (DPA). The DPA can be repaid when the property is sold, or on death. Contact your local authority to find out about his eligibility for a DPA.

Question: Can we put our house in trust for our children to avoid a forced sale in the event that we need to go into care?

Answer: Putting property into trust for future generations should be approached with extreme caution. Under the means-test your local authority is likely to ask you about your property ownership over some years. If it deems the property was placed in trust deliberately to take it out of the means-test, it is likely to still be included. Plus, with a means-test upper threshold being so low, other assets could disqualify you from support in any case.

Question: We have paid for my mother to be in a nursing home for three years. Her condition has now deteriorated and she requires around-the-clock care. Can we get any more support?

Answer: You can ask that your mother is reassessed by the NHS. If she is in need of 24-hour nursing, the NHS should pay for all of this as continuing care. If this was the situation for some time, then some of your fees may be refunded.

Question: I have special dietary needs but the only care home that can meet these requirements costs more than my local authority is willing to pay.

Answer: If you argue successfully that your dietary requirements are needs under the local authority criteria, and that the home is the only one available locally that meets your assessed needs, the local authority should meet the full cost (assuming that you fall below the means-test lower threshold). If the local authority still refuses but you have set your heart on this home, you or your family will have to meet the shortfall.

Question: My sister and I have lived together for 20 years and are now in our early eighties. What will happen to our property if one, or both, needs to go into care?

Answer: The property will be disregarded from the care funding means-test when the first of you goes into care. If the second needs care, the value of the property can then be included. If the property then needs to be sold to help with the cost of fees, the local authority may help with the funding until the property is sold. Should you both need to go into care at the same time, half the property's value will be allocated to each of you for the purposes of the means-test.

Question: My parents own their own home and have £80,000 in savings. Will they get any financial help with the cost of care?

Answer: Their assets put them well above the threshold of the upper capital limit, below which help is given for funding care. However, if they need help with 'basic daily tasks' such as bathing and dressing, they can claim Attendance Allowance. If they require nursing, they may be entitled to NHS Funded Nursing Care Benefit. It is important to discuss with care homes how the contribution is accounted for in their fees.

Question: My sister and I like the idea of buying a care fees plan to pay for our mother's care bills but are concerned it could be money wasted if she dies soon afterwards.

Answer: Some care plans will automatically return some capital if the person dies in the first six months. After that, you can insure for the return of some capital on death by buying capital protection.

Question: We have sold my father's house to help with his nursing home costs. Are the proceeds still liable to Inheritance Tax?

Answer: If the capital is simply held in his bank account, then it will be included in his estate for Inheritance Tax purposes on death. If the capital is used to purchase an annuity to fund care, it will effectively be out of his estate on death, except to the extent of any capital protection that is brought in which results in funds being returned to his estate.

Question: I want to use income from some of my investments to help pay for my father's care. If he is the beneficiary, who will the income be taxed on?

Answer: If the investments are in your own name, they will continue to be taxed at your rate of Income Tax. It may be possible to set up a trust, naming your father as the beneficiary of income; but this may mean not only losing rights to the assets, but ultimately, increasing his liability to Inheritance Tax, depending on the value of his estate.

Question: Is an annuity-based care fees plan guaranteed to cover care costs?

Answer: No – you will be told the annual income it is guaranteed to pay out, so you can match this against a care home's fees. Should fees rise in the future there may be a shortfall. However, care homes may be open to negotiation, knowing they are assured of the annuity income. Care plans can offer inflation-proofing or annual increases to help address rising fees, so a fee limitation or capping agreement is often possible.

Question: Can income from an annuity-based care fees plan be used to fund care at home?

Answer: Yes – income can be used at any stage to fund either residential or home-based care. Note that, if income is paid directly to a registered care provider, it is tax-free. It is essential, therefore, that the care provider is registered or there will be a liability on the interest element of the income payment.

Question: My mother is quite wealthy. Is her local authority under any obligation to help her find the right type of care?

Answer: Yes – the local authority has a duty to assess her care needs, irrespective of her wealth, and ensure that she has access to suitable care even if she funds it herself.

The levels and bases of taxation and reliefs from taxation can change at any time and are generally dependent on individual circumstances.

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