



## Martha – Funding Care at home using the equity in the house

Martha Hardy, aged 89, suffered a mild stroke and was admitted to hospital. When discharged from the hospital, it was clear that she would benefit from some help. She was adamant that she wanted to stay at home rather than move into a care home. She was fiercely independent and wanted to remain around friends, family and home comforts.

She needed help with dressing and washing as well as regular trips to the shops and assistance cooking her meals. She wasn't too good on her feet but was fortunate to live in a bungalow and did not need to worry about stairs. The bathroom however, was not designed with disability in mind and as a result, it was difficult for her to get in and out of the bath.

Her eldest son Edward has now assumed the responsibility of looking after his mother's financial affairs and had previously registered as her lasting power of attorney for just this type of situation.

She had savings of £20,000 from which she received interest and dividends. Her husband died 3 years ago, and she was in receipt of a widow's pension from his pension scheme, in addition to her state pension. The family home was valued at £250,000 with no outstanding mortgage.

Martha's savings were below the limits whereby people must pay for their own care so she qualified for local authority funding to cover her shortfall after taking into account her income and benefits. However she has never wanted to be reliant upon the state. Also she wanted a higher quality of care that would exceed the local authority's hourly limits. Martha decided if she could afford it, to cover the cost of the care from her own means.

The family found an excellent home care provider who sent one of their Care Managers to conduct an assessment. This established just how much care Martha wanted and how much it would cost. Martha thought that it may be very expensive to have care in her home, but was pleasantly surprised to find out that it compared very favourably with staying in a care home. After agreeing on the level and cost of the care and allowing for his mother's existing income, her son Edward had to find a further £10,000 each year from her assets.

### Making life easier paying for care

Edward consulted an independent care fees specialist who arranged a meeting with them both to gather the necessary financial information and more importantly, to also find out what Martha felt must be included and provided

for in the plan. The adviser created a report setting out different options meet her care fees shortfall and sent it to Edward.

The adviser called a few days later and arranged a meeting to discuss the report with Edward and Martha. He told them they had a number of options and after considering them all, Martha and Edward's preferred option was to release some of the equity from her home using an equity release scheme and purchase an immediate care plan. The adviser explained them both that when the income from the immediate care plan was added to Martha's pension and other incomes this would give sufficient income to meet the £10,000 per annum she needed to pay for her care fees.

The cost of securing the income of £10,000 per year was a single payment of £45,609. As a further safeguard, an automatic increase of 5% per year was built into the plan as a help towards future increases in Martha's homecare charges.

Martha was able to pay for this by releasing £40,000 from the value in her property using an equity release plan. £10,000 of this was used to make adaptations to the home which included upgrading the bathroom to ensure that she was as comfortable as possible. The remaining £30,000 added to £15,609 from her savings to cover the cost of the immediate care plan.

In addition to peace of mind, Martha's income tax will not be increased because, as the benefits are paid direct to the care provider and as long as the provider of care is registered with the Care Quality Commission (CQC), it has no impact upon the person receiving the care.

The equity release plan used a lifetime mortgage which rolled up the interest on the money released but no repayments had to be made during her lifetime. The original loan plus any interest is collected from the sale of the house either on her death or if she moves permanently into residential care.

## Wealth warning

Even in this difficult economic climate, care fees must still be paid and this case study illustrates one way of ensuring that this is done. A care plan may not be suitable for everyone as each individual's circumstances and financial objectives are different, however, care plans are ideal for providing a high degree of certainty in meeting all or a part of a person's lifetime care fees shortfall.

The purchase of a care plan results in a loss of capital in return for a life time guaranteed income. Protection can be purchased to ensure that a part of the purchase price could be returned on early death, but this reduces down to nil after the total benefits paid out equal the amount protected.

This case history article is based on our understanding of current law and practise and we cannot be held responsible for any errors or omissions. If you have any concerns you should take independent legal advice.



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