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Amy – Funding Carehome fees

Amy is a widow aged 87 who lived in her own home until last year when increasing frailty and mobility problems made life increasingly difficult for her so she chose to go into care in her home town in Lincolnshire.
Amy's son and daughter in law could not provide care as they lived some distance away and, in any case she did not want to involve them as she wanted to retain her independence.

The sale of Amy's house raised £275,000 which when added to her other investments gave a sum of £390,000. She had a monthly income of £1,730 which comprised of state pension, a couple of small occupational pensions, higher rate attendance allowance and the nursing payment from the NHS. The nursing home fees came to £3,600 per month leaving a shortfall of £1,870 to be met.

Amy's main concern was that she would be able to remain at her chosen care home for as long as she needed to without worrying about running out of money, and if possible, she also wanted to preserve some capital for an inheritance for her son.

Making life easier paying for care

Amy consulted independent care fees planning specialists ***equity*****Care** who arranged a meeting with her to gather the necessary financial information and more importantly, to also find out what Amy felt must be included and provided for in the plan. With Amy's help, the adviser formulated a comprehensive report for her outlining different methods to meet the shortfall in her income to pay for her care and then sent it to her for her consideration.

A meeting was arranged to discuss the report and Amy also wanted her son to be present. At the meeting, the adviser went through the options in the report with them both and, after considering each option, Amy and her son decided that an immediate care plan would be best as it would give her the income that she wanted with any remaining monies used as a reserve for her during her lifetime and ultimately as an inheritance for her son.

A care fees plan was purchased to provide Amy with an income of £1,870 per month, increasing at 5% per year, at a cost of £86,050. In addition Amy's income tax will not be increased because care fee payments are not liable to personal tax when paid directly to her registered care provider. Also, whilst inheritance tax mitigation was not a consideration, the care plan premium has also reduced Amy's estate so that it is now below the limit for inheritance tax.

Amy now has peace of mind in knowing that, provided the increases in the cost of her care do not exceed her care fees provision, they are automatically taken care of for her lifetime, irrespective of her physical or mental condition in the future. In addition, she will also have some money to leave to her son as she wished.

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.