

The survival guide to long term care in 10 easy steps

“Talk to *equity*Care we care”



STEP ONE - SIT DOWN AND ASSESS THE SITUATION. IDENTIFY WHERE YOU ARE NOW.

Once you find that long term care is needed for either yourself, a relative or friend then it is important to address things in the right order. It is a process, admittedly not one of the most pleasant ones you will do in life but, a process nevertheless to be worked through calmly and methodically.

Above all DON'T PANIC. Help is at hand from many sources. Our aim is to give you a framework to work with and to empower you to make an informed decision at the end of this process.

Firstly....What is Long Term Care?

When a person begins to have difficulties with the normal activities of daily living this is usually the point at which they need to receive some kind of care. The situation may be due to mental incapacity (such as dementia), increasing frailty or just the effects of ageing – too many birthdays. It may also be as a result of a serious condition such as severe arthritis or a major stroke.

It is only when the situation is likely to continue for the long term, that the situation has developed into a need known as **'Long Term Care'**.

The amount of care required differs from person to person, from simple domestic assistance right through to 24-hour nursing care and can be provided in the person's own home (known as domiciliary care), sheltered accommodation, a residential care home or a nursing home.

In addition, if the person suffers from mental impairment, they may require care in a home that specifically caters for their needs. These are termed 'EMI' (Elderly Mentally Infirm) homes which can provide either residential or nursing care, or both.

STEP TWO - ASSETS

Let's get this out of the way early on. As a general rule, if a person has savings and assets, excluding property above £23,000 in England and Northern Ireland, £22,000 in Wales and £22,500 in Scotland, in most cases, they will have to pay for care. Anyone who has less than these limits is entitled to financial assistance from their local authority (subject to their agreement on the type of care required). You will find that you will be referred back to this point repeatedly as these limits are one of the ground rules.

STEP THREE - THE LEGAL AUTHORITY TO ACT, IS IT IN PLACE?

There are two things that everyone should do in any case. These are making a **Lasting Power of Attorney** and **making a Will**.

These documents are vital, and can only be made BEFORE losing the mental capacity to do so.

If a person **DOES** still have mental capacity, and has no Lasting Power of Attorney (or the previous version called an Enduring Power of Attorney) in place, they will need to arrange a Lasting Power of Attorney to enable someone to legally act upon their behalf.

What is a Lasting Power of Attorney?

A Lasting Power of Attorney (LPA) is a legal document which enables a person aged 18 or over (the Donor) to appoint another person or persons (the Attorney) to act on their behalf and make decisions for that person. The person making the LPA can choose to delegate to attorneys decisions relating to personal welfare – including health care and medical treatment decisions – as well as decisions regarding property and financial matters.

The LPA is important as it ensures that someone of the Donor's choosing is in place to make decisions if they are no longer able to make them.

There are two different types of LPA:

Property and Affairs LPA

This document is used to appoint attorneys to make decisions about financial issues, for example operating a bank account, buying and selling property, investments, dealing with tax affairs and benefits.

Personal Welfare LPA

This will enable the attorney to make decisions about a person's welfare and health, for example where they should live, day to day care including diet and dress, the medical treatment to be received, and the giving or refusing of consent to life sustaining medical treatment. They can only use the Personal Welfare LPA if the Donor has lost mental capacity to make the relevant decisions

What to do where there is no LPA (EPA) and the person NO LONGER HAS mental capacity

If there is no registered Enduring Power of Attorney or Lasting Power of Attorney in place for the person you wish to act on your relative's or friend's behalf you will need to apply to the Court of Protection to become appointed as their **Deputy**.

To do this you will need to seek professional legal advice regarding Court of Protection procedures and the powers and obligations of court appointed Deputies. If you have a legal problem relating to care, we have a specialist helpline for legal matters through **equityCare** Legal Services which is manned by solicitors trained in this area of the law.

If you have any legal concerns, you can phone them directly on **01594 838940** for an informal chat without any charge or obligation. A single call may be all that is needed as it may be only a small matter. If, however, the matter is not so straightforward, (if, for instance you need to make an application to the Court), once your need is established, you will be informed of the costs involved.

If you choose to proceed, you will have one of the leading specialist solicitor practices in the country working for you.

STEP FOUR - REGISTRATION OF THE AUTHORITY TO ACT

If you are acting under an Enduring Power of Attorney or a Lasting Power of Attorney, you will need to register it with the Office of the Public Guardian.

Also, at this point - consider looking at the Will because..

At this stage, as you are likely to be working with a solicitor, if the person you are assisting still has mental capacity, it would be prudent to enquire if a Will has been made or needs reviewing. Making a Will is the only way to ensure that the people the donor wishes to benefit from their estate, actually do so.

Making a Will is an essential step in estate planning regardless of wealth and will give peace of mind knowing that arrangements have been made regarding the administration of the estate, setting out clearly who is to receive the property and possessions, avoiding disputes between relatives and unnecessary legal costs.

STEP FIVE- LOCAL AUTHORITY ASSESSMENTS, CARE AND FINANCIAL

The gateway to community care services is a care assessment and access to this for claimants is vital. The government has introduced a single assessment procedure (SAP) for older people which combines the assessment for local authority social services with health care.

When the care assessment has been completed, the local authority will decide whether or not it should provide or arrange community care services under its eligibility criteria. Local authorities are obliged to involve other agencies in the assessment process such as welfare benefits, health, housing and transport.

The assessment process will normally consist of three stages:

- Assessment of need and circumstances.
- Identifying needs to be dealt with by the local authority under its eligibility criteria.
- Financial assessment, if appropriate.

Following a financial assessment, people with assets in excess of £22,000 - £23,000 (depending upon the area) are generally advised to make their own arrangements. There are some exceptions but, due to the brevity of this guide, we cannot go into greater detail here.

If you have any queries, please contact us on 0800 014 1640 and we will be glad to help

STEP SIX - CHECK THE ENTITLEMENT TO BENEFITS

If the main asset is the family home and the person you are helping has other assets below the regional limits, then they may be entitled to some financial assistance from the local authority in the form of the 12 week disregard.

•The 12 week disregard

Provided the person entering care has been assessed as needing permanent care, the local authority must disregard the value of the home for the first twelve weeks and assist with care fees payments as if the property did not exist. However, they will only pay up to their standard rate in many cases and most forms of income (except the personal weekly £21.90 expenses allowance) will have to be paid to them. This is known as the '**12 week property disregard**'.

•The deferred payments scheme

At the end of the 12-week disregard period, it may be possible for the local authority to continue to pay towards the care home fees, up to their standard rate, for the remainder of the person's life. This is done by way of a loan against the property and must be repaid on death. The scheme is at the discretion of the local authority and may not be available to everyone. This is known as the '**deferred payments scheme**'.

Other benefits include Attendance Allowance, Disability Living Allowance, Carers Allowance etc. Full details of these including application forms are readily available on the www.Direct.gov.uk website and also from the Benefits Agency using their enquiry line on 0800 882200 (disability benefit) or for Northern Ireland **0800220674**.

Another useful website is the Disability Alliance at www.disabilityalliance.org as they produce excellent information sheets including past judgements and rulings that you can use for reference if you are fighting for a particular benefit.

It is important that all eligible benefits are claimed for as the local authority will assume these are all being received, and will calculate any entitlement on that basis. A useful website for this is www.entitledto.co.uk or you can contact a Citizens Advice Bureau adviser who will do this for free.

STEP SEVEN - DECIDE UPON THE HOME AND TYPE OF CARE

Your local social services department are there to help and advise. Any person in need of care should be assessed by their local social services department to determine the type of care best suited to their needs. This may be domiciliary care (home care), a care home or a care home with nursing.

If the person has been assessed as requiring nursing care (not just personal care) there is now a flat Registered Nursing Care Contribution (RNCC) each week. Currently it is a weekly rate of £106.30 in England, £119.66 in Wales and £100 in Northern Ireland.

In Scotland, the payment for personal care is £153 per week and an additional £69 if nursing care is required. However, in these circumstances, Attendance Allowance is withdrawn. As with any system, there are exceptions but these are the general guidelines.

Once the local authority assessment has been done, the type of care needed will have been identified and, if the assets excluding the home are above the local authority limits, in most circumstances, you will be given a list of homes in your area to contact, visit and arrange the care needed.

There are websites specialising in different types and standards of care, for instance www.best-care-home.co.uk features only the best homes which have 3 stars, whereas on www.Guide2care.com features a listing for all types of care and grades of homes in all counties, and includes listings for domiciliary care services.

There is no substitute for legwork when choosing a care home for your loved one – it really is down to visiting them to see for your self. Although it is a very personal decision, there are some solid guidelines that you can follow:

- Is the accommodation nice and light and airy?
- Are there any unpleasant odours?
- What are the terms and conditions in the paperwork?
- What is the staffing ratio?
- Do the staff look happy in their work?
- Is the Manager/Proprietor friendly and welcoming together with the staff?
- Are people waiting for a member of staff for an unreasonable length of time?
- Do they have an activities organiser and what activities have they got planned?
- Is there any interactivity going on?
- Do they have exercise sessions as part of the daily routine if people want to take part?
- Call in without an appointment and see what they are like when they are not prepared for your visit.
- When you have made a shortlist, any reasonable home will allow day stays as trial periods.
- Do they allow pets if this is important to you?
- Do they have regular visits from outside organisations, are they part of the community?
- Are the menus varied and do they offer a choice? Does the food look appetising?

This is just a start and you will think of others questions which will be important to the person you are acting for. It is your responsibility to see these are covered.

STEP EIGHT- HOW DO WE PAY FOR THE CARE, CALCULATING THE AMOUNT NEEDED?

The starting point when developing a funding strategy for long term care is to determine the level of financial support which may be available from the Government. Many people wrongly assume that they will have no entitlement because they own assets but this may not be the case.

You will have looked at this point previously during the assessment but, the old saying that you don't get if you don't ask is never more true than in this situation.

Once you know how much the care fees are going to cost each month you can start to look at how this charge is going to be met. Remember to check whether the cost is based on a 4- weekly or calendar monthly basis.

You will need to take into account all the income received from various sources, this can comprise of state, occupational and private pensions, Attendance Allowance and Disability Living Allowance etc.

Remember again that state pensions, Attendance Allowance and Disability Living Allowance are paid 4 - weekly, whereas occupational pensions are paid calendar monthly so watch this point - there are only 12 calendar months but 13 lunar ones – otherwise you may end up having to do some hasty recalculations.

We provide a calculator on our website for this or you can contact an **equityCare** adviser who will do this for you.

STEP NINE - WORKING OUT A SOLUTION FOR YOU

An **equityCare** adviser can process the figures for you, identify the funding shortfall and produce a report outlining potential solutions for discussion. The underlying aim is to provide a solution that provides a permanent income for the person needing care.

One method in particular, is very tax efficient as it provides a guaranteed level of income but is not dependent upon stockmarket performance. This is a very attractive option as the last thing you want to be faced with is the risk of running out of money.

People should ask themselves, what outcome would the person they are trying to care for have really wanted had they been able to manage things for themselves? There is no easy answer to this, but most elderly parents want to leave an inheritance for their children, even to the point of having much less for their own selves.

STEP 10- PUTTING SOLUTION INTO ACTION

In developing a funding solution for your loved one's long term care costs it is important that, once set up the plan will run by itself and adjustments can be made if necessary at the regular review stage. With all our services, regular reviews are inbuilt unless you opt not to receive them.

The plan should be able to match the standard increases made by the home each year and should have enough room in it to allow for gifts for birthdays, anniversaries and Christmas as, although they now live in a home, people still want to take part in family life.

Care plan benefits are paid directly to the home. If this is done, there is no tax liability to the care recipient. However, because the plan is theirs, it can move with them if they ever need to change their care provider.

Finally, the plan that you put in place must be simple and be able to run itself, as you too have a life around your family and work. So, as you can see, with our help, we can put you in the driving seat but you can relax, we will be with you throughout your family's individual care journey.

CASE STUDY

Amy – Care Fees Payment Plan

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 **equityCare** 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 prime 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.

Relax with *equityCare*, we really do care.

equityCare is a company advising on equity release, long term care and investment. We also offer easy access to legal advice and support in related areas through **equityCare** Legal Services.

The team is led by Barbara Davies, a chartered financial planner and the author of this guide, who has spent many years advising elderly clients on long term care fees planning and the surrounding issues.

Our mission

- Your care fees planning specialist will provide help and support during a difficult and stressful time
- equityCare** is your gateway to the highest quality advice on care funding options
- We work together with you to achieve the best financial solution for you and your family