

*This Guide deals with some of the financial issues surrounding care fees funding.*

*Part 1 of this Guide deals with the background to care fees funding and what assistance is available if you, or an elderly relative, require care, either at home or residential care.*

*Part 3 of this Guide gives an overview of some of the main financial planning solutions that can be used when seeking to finance care fees.*

## Treatment of Your Capital

If you are seeking to obtain assistance with care fees from your local authority **you will need to undergo an assessment** at which you will be expected to give details of your assets.

This will include all of your **bank and building society accounts, National Savings, ISAs, shares and other investments, land and property** (both in the UK and overseas), **business assets** and **property held in trust**.

However, it is important to be aware of the treatment of certain types of assets, in particular the family home.

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## Personal Possessions

Your personal possessions are **not treated as part of your assets** for this purpose unless the local authority feels that you acquired such items as a result of 'extravagant expenditure'.

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## Jointly Held Capital

Your bank accounts and some investments may be in joint names. In such a case the local authority will typically treat such assets as being owned equally and **only take 50% of their value into account**.

For further information see *Paying for care in a care home if you have a partner* published by Age Concern ([www.ageconcern.org.uk](http://www.ageconcern.org.uk))

There are advantages for elderly couples in **splitting their savings and investments into their individual names**. This will allow each spouse or partner to benefit from local authority assistance as early as possible.

## Jointly Owned Property

If your spouse or partner needs care you should consider **changing the ownership of your property from 'joint tenancy'** (ie the normal joint ownership of a property) into **'tenants in common'**.

You can then **leave your half of the property to your children** or other beneficiaries in your will, rather than allow it to be caught up in a means test for care should you pre-decease your spouse or partner.

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## Capital under Trust

Here it depends on whether you have **an absolute entitlement** to the capital or income from the trust. In this case the trust asset will be treated as yours.

If, however, **the trustees have discretion** to make payments of capital or income to you then the local authority **will only take account of the payments that you have actually received**.

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## Family Home

The value of your home is not included in your capital if you are arranging a temporary stay in a care home. Your family home will also be **left out of the equation** if it is occupied by:

- **your spouse or partner** (or someone you live with as though you are married)
- **a relative who is aged 60 or over** or a younger relative who is disabled. There is a list of which relationships would constitute a relative.
- **a former spouse** or partner who is divorced or estranged from you but **who is a lone parent**
- **a child under 16 years** who you are liable to maintain.

The local authority also can use its discretion to disregard your property **where it is the home of someone not included above**.

Your home also has to be **disregarded for 12 weeks** from the date of your admission to residential care (ie on a permanent basis).

If you sell your property during the 12 weeks **then it is taken into account immediately** so this is not usually a sensible thing to do.

Finally you can ask the local authority to offer you a **'deferred payment agreement'**. Under this they would agree to provide funding **on a loan basis (without interest)** to be repaid when the property is sold. The local authority does not have to offer you this but it is certainly worth asking.

The benefit is that **you can sell your home at a time when it might fetch a better price** and if house prices rise generally **the beneficiaries of your estate will benefit from this**. In the meantime you could rent it out and put the additional income towards your care fees.

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## Life Assurance Bonds

Most life assurance companies offer one or more life assurance bonds which have a variety of names such as **Investment Bond, Capital Investment Bond, Distribution Bond, With Profits Bond or Property Bond**.

In the majority of cases **these will technically be life assurance bonds**. The important point here is that **the capital value of a life assurance bond should be disregarded** when the local authority looks at the amount of capital that you have. They will, however, take into account **any withdrawals of capital** from the bond which they will treat as your income.

"If an investment bond is written as one or more life insurance policies that contain cashing-in rights by way of options for total or partial surrender, then the value of those rights has to be disregarded as a capital asset in the financial assessment for residential accommodation."

Charging for Residential Accommodation Guidelines (CRAG)  
April 2009

For many retired people, therefore, an investment into some form of life assurance bond can be **a way of safeguarding that part of their capital** from being taken into account when assessing their care needs.

It is important that the local authority is not given any reason to believe that the bond was set up to deliberately deprive them of your assets.

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## Deprivation of Assets

It is important to note that **if you are found to be 'depriving' yourself of capital** by, for example, giving away assets in order to obtain benefit or increase your benefit, you can be treated as still having the capital in question.

If any transfers are made in the **six months before entering residential care**, the local authority is likely to try to reclaim money from whoever received the transfer of the assets.

This does not mean, however, that the local authority will not investigate transfers made earlier than six months previously. Generally, **the intention behind any transfer of assets will be looked at**, rather than how long ago the transfer took place.

There is **useful case law** on this which should act as a warning to anyone who thinks that they have found a way of outthinking their local authority on this matter.

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## Calculating the Care Shortfall

Whether you wish to fund for possible care fees in the future, or there is an immediate need to cover nursing home fees, **the following steps can be used**:

Step	Action
(1)	<b>Identify your net income.</b> As your care fees are likely to be quoted monthly it would be useful to identify your monthly income after allowing for tax. This should be your <b>income from all sources</b> including state benefits. If you have capital which could produce an income it would be helpful to allow, say 3% net from this to help you arrive at a realistic overall income figure.
(2)	<b>Identify your current and future expenditure.</b> Your current expenditure should be easy enough to identify. However, if you want to know what the funding shortfall might be in a residential care home, you should be able to identify <b>various items of expenditure</b> such as mortgage costs and household bills <b>that would no longer be required</b> .
(3)	<b>Calculate your current and future income surplus</b> , ie (1) - (2) in each case. Hopefully there will be a surplus bearing in mind this is before you take account of the care fees.
(4)	<b>Identify the expected care costs.</b> You will have these to hand if you are considering an immediate move into some form of residential care. If you are planning for the future you should take note of the fact that residential care home fees are <b>increasing at about twice the rate of the Consumer Prices Index (CPI)</b> .
(5)	<b>Calculate any shortfall.</b> Deduct the surplus income (3) from the expected care costs (4) not forgetting to make an allowance for annual increases in the cost of care until the point you think that they might be required.

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## Our Care Fees Funding Service

At the end of Part 3 of this particular set of Guides on care fees funding under the heading *Our Care Fees Funding Service* you will find a list of our advisers who have passed the Chartered Insurance Institute's **Long Term Care Insurance examination (CF8)** as required by the FSA.

## Further Information

You will find a list of organisations where further information can be obtained, under the heading of *Further Information* at the end of Part 3 of this particular set of Guides on care fees funding.

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## Risk Factors

Please refer to the important notes under the heading of *Risk Factors* contained at the end of Part 3 of this particular set of Guides on care fees funding.

References to married couples should also be taken to include those in registered civil partnerships.

Please note that this information does not constitute personal advice and should not be treated as a substitute for specific advice based on your circumstances. If you are thinking about the financial implications of funding care fees for yourself or a relative, then you should discuss the matter with a suitably qualified independent financial adviser such as ourselves.

Any information given in this Guide relating to income tax legislation is based on our understanding of legislation and practice in force at the date of this Guide. Whilst we believe our interpretation of current law and practice to be correct in these areas, we cannot be responsible for the effects of any future legislation or any change in interpretation or treatment.

### For personal advice

If you would like to receive advice on care fees funding, either for yourself or a relative, please ask your usual Arch adviser in the first instance or contact us via one of the following:

Tel: **0845 3700 661**  
or **01483 204600** (if local)  
Email: **enquiries@arch-fp.co.uk**  
Online: **www.arch-fp.co.uk**

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