

PROFESSIONAL NEWSLETTER – ISSUE 8

HOW TO FUND CARE AT HOME

In a previous newsletter we looked at whether or not a move into a care home was the only answer. The response was surprising, with a definite increase in the number of enquiries about live-in-care. This newsletter turns its attention to how this type of care can be funded.

If care is being received at home, the question about what to do with the house may sound academic, but it is just possible that using an Equity Release product could make all the difference to the options of the person needing care and longevity of the live-in care package.

Equity release is a term used to describe the various ways people can financially benefit from the value of their home. Equity release enables people to raise capital, income or a combination of the two while continuing to live in the property, borrowers are free to use the monies however they wish, which in the past has included, home improvements, a much longed-for holiday or to help maintain or increase their standard of living in retirement.

However, as more and more people need to face the need for care, equity release is becoming a popular and realistic way of enabling people to receive formal care in their own homes, delaying or preventing altogether the move in alternative accommodation. This is how it helped Eric and Alma:

Eric had recently suffered a stroke and was in hospital. Although he was undergoing intensive physiotherapy his care team had reached the conclusion that he wouldn't be able to return home.

Not sure how to react, Eric's family had started to look at care homes, they had found a suitable room, and all were resigned to the fact that the move was inevitable. However, underlying concerns existed on several levels:

- ↗ firstly they were obviously anxious about the future health and welfare of Eric
- ↗ But just as important was the likely impact his permanent residency in a care home would have on Alma.
- ↗ Eric and Alma had been married for over 65 years and had rarely, since the end of the World War II, ever spent a night apart.

During the first meeting, the family were asked a fundamental question, "accepting the fact that you can't change the medical diagnosis, what would you do if you could wave a magic wand?"

The response was unanimous, they wanted Eric to go back home. How then could this happen? Eric needed specialist personal care and Alma was unable to do this. As a potential solution, the family were asked to consider a live-in-carer.

Eric and Alma arranged a meeting with Helping Hands Homecare. An assessment was carried out both physically on Eric whilst he was in hospital, but also at the house so that the carers could get a feel, not just for the type of care needed but, where it would be delivered.

Following this the agency were able to deliver a weekly bespoke fee package enabling a qualified and vetted carer to live in one of the spare rooms at Eric & Alma's home.

The remaining focus and objective now centred on how the care could/should be funded. Had Eric entered the care home, their house would have been excluded from the means test whilst Alma lived in it. This situation would be replicated now that the care was being received at home, but as Eric had other savings in excess of the current threshold, he would receive no other funding from the Local Authority.

Eric had a private pension and over £200,000 invested. Alma also had a similar amount held in her own name, but as these investments contributed a high proportion of their income, neither partner wanted to alter the investments in any way.

They then talked through the option of Equity Release¹, not just with Eric and Alma, but, with their permission, the whole family became involved in the discussions.

Moving to a different, smaller property to realise funds was a non-starter; if the property was to be sold in the lifetime of Eric and Alma, Eric might just as well of moved into his care home.

Neither of them were entitled to any means-tested state benefits so the release of capital wouldn't have a negative effect on their current income levels, their local Symponia member did however, make sure that Eric put in a claim for Attendance Allowance.

The next decision was how much money should be released? Did the family just take enough for one year and continue to draw down each subsequent year until the maximum sum had been exhausted? Eric was uneasy about this, as he could see a finite and therefore limited number of years involved in the plan.

To help the family gain additional peace of mind, the Symponia member suggested that they explore the possibility of an Immediate Care Plan; they calculated the income, which could now include Attendance Allowance and compared that to the expenses, which had to take account not only of the household costs (which largely remained unaltered) but the care costs.

This bespoke calculation left a deficit/shortfall of just under £15,000 and it is was this amount that was submitted to the underwriters for consideration. After assessing Eric's health and mortality the cost of the Immediate Care Plan with a built in automatic 5% annual escalation was £67,000.

As their property was valued at over £500,000 the release of equity was less than 14% of the total value. The family also consulted with a solicitor who ensured that they understood all the implications of the transaction.

Should you have any clients considering their care options, your local Symponia member will be able to help them explore the all benefits of receiving and paying for care their own home.

¹ All Symponia members are encouraged to transact Equity Release business under the SHIP guidelines

Symponia

I am your local Symponia member - Symponia is a national professional body for financial advisers with expertise in elder client issues, including investments, care fees planning, equity release and mitigating inheritance tax.

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