Guide to Care Home fees

Many people worry about the cost of care home fees later in life.
Here are some ways to manage them.

The basics

It's a dilemma – how do you plan for something if you're not sure you'll need it? At around £500-£700 per week, care home fees are very expensive. And sometimes, you'll need the money fast – admissions can come as an emergency. Here are some startling statistics:

- More than 400,000 people live in residential care homes with a similar amount receiving care at home.
- The number of people needing long term care is expected to increase by 37% in the UK by 2025.
- Almost 1 in 5 Brits are expecting to pay care fees for an elderly relative.
- Up to 40,000 people a year are forced to sell their homes because of care bills.

How much does it all cost?

Fees are steep and don't rely on State help.

In England and Northern Ireland, if you (or your parents) have more than £23,250 of assets, then don't expect the State to pay for care home fees (the limits are £25,250 in Scotland and £30,000 in Wales). You'll need to have a plan to fund these yourself. According to research from Partnership, 32% of people say they will live with their kids – but just 4% have had this conversation. Oops.

The average annual cost of residential care is £30,496 although 40% of us still believe living in a care home costs less than £25,000 a year. Nursing care is more expensive with the average costing £39,520 per year (a typical pensioner's income is £16,848).[1]

KEY AN EYE ON DEVELOPMENTS – CARE FEES ARE DUE FOR A SHAKE-UP AS PART OF THE 2017 ELECTION MANIFESTOS AND THE FALLOUT

[1] Partnership Care Report 2016

What are my options?

Use the home: If an elderly relative needs to go into care, their home could be sold and the proceeds used to meet the costs. However, this may not be possible if they have a partner. There may also be emotional issues about selling the 'family home'. In these circumstances, an equity release mortgage could be taken out to provide cash without having to sell the house. Any mortgage will have interest to pay but this is often rolled up until the house is sold. This does mean that there are no monthly payments but could lead to a nasty surprise when the loan has increased substantially in the future, possibly taking all the remaining equity to pay it off.

Use savings: Costs could be paid from savings, investments, and pension funds where available. The main advantage is that you only pay for what you need, when you need it. This does keep control of costs and access to the money, unlike an insurance plan, but does carry the big risk that the money runs out.

Use insurance: Long term care fees plans – sometimes called care home annuities – are effectively an insurance policy; you pay a large amount of money up front and the insurance company guarantees to pay the fees however long they need to be paid for. The big advantage is the certainty that costs will be met; there's no need to worry and that can be a huge relief to all concerned. The potential downside is paying a large amount of money up front!

As an example, based on £30,000 a year of care home fees, an 85 year old could expect to pay about £150,000 - £200,000 as a one off tax-free fee BUT have peace of mind that these fees were covered for life.

Care home annuities are basically a bet with the insurance company about how long you're going to live! If you get your telegram from the Queen, you're laughing! If you die after only a few years in care, you've paid more than you need to.

These sorts of policies are provided by **Just** and **Friends Life.**

Boring Money tips

Check how much is in the pot: Create a rough inventory of all the income and assets available to you to pay fees – any pension money, the family home, ISAs and so on.

If you're thinking about this for an older relative, talk about getting a lasting power of attorney – you will need this to make financial decisions on behalf of anyone going into a home.

Check out your state entitlement – this is a complicated process, but you may be entitled to some support if there are nursing care needs, for example.

More help can be provided by a suitably qualified financial adviser, ideally a member of the Society of Later Life Advisers (SOLLA); **Age UK** and **Citizens Advice.**

LOOK FOR A LOCAL FINANCIAL ADVISER AT UNBIASED OR VOUCHEDFOR

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Here are the web links in full:

Just	www.wearejust.co.uk
Friends Life	www.friendslife.co.uk
Age UK	www.ageuk.org.uk
Citizens Advice	www.citizensadvice.org.uk/family/looking-after-people