

Long Term Care

In last month's Newsletter, we focused on the Smith family grandparents, Harvey and Maggie, looking at various steps that they could take in their old age to help with their overall financial planning.

In this Newsletter, we are going to focus our attention with Harvey and Maggie on the issue of long-term care and the various factors that need to be considered when planning for this eventuality.

In the process of putting together this Newsletter, we have looked at lots of information on the Internet about such things as the likelihood of needing long-term care and the typical cost of care. To keep the Newsletter and the overall message simple, we have used the figures we typically use when guiding clients through the various considerations. These figures seem to be broadly in line with the myriad of statistics on the Internet.



What are the chances?

A significant proportion of the population are likely to need to find the means to fund their care needs in later life. There is, approximately, a 35% chance of a 65-year-old female, and 25% chance of a 65-year-old male, having substantial care needs at some point in their life.

The chances of anyone who is over the age of 85 ending up in a nursing home are about 50/50.

For Harvey and Maggie Smith, the situation is pressing. Harvey is requiring more and more help with the basic activities of daily living and Maggie is finding it more and more difficult to help him with these.

What are the Smiths' options?

Clearly, a lot will depend upon the level of care required.

Initially, it may just be that Harvey is finding it more difficult to move around the home, in which case the Smiths could pay for various adaptations, such as stair lifts or grab rails. They could also explore possible solutions offered by the wonderful world of new technology.

As care needs increase, they could decide that Maggie needs further help in looking after Harvey and they could ask for domiciliary care agency help with such things as washing and dressing and getting in and out of bed in the morning and the evening.

Another option would be to sell their house and either move in with one of their children or move into extra care sheltered housing. Both options could provide increased personal care and the extra care sheltered home could either be bought or rented.

Probably as a last resort, they could consider moving Harvey into a nursing care home.

How much will it cost?

Starting with making adaptations to their home, the Smiths would not have enormous costs to pay, for example, to install a stair lift and the cost is likely to be a one-off.

As the need increases for Maggie to receive some home help, costs will become regular outgoings and will increase as the amount of care required increases.

If it reaches the point where a live-in carer is required to provide support for Maggie 24 hours a day, the costs will vary depending upon where you live from anywhere from £800 per week to £1,500 per week.

Moving in with family is likely to cost little if anything and offers the potential of being able to release equity from their home to help pay for any additional care costs that are required.

Similarly, if Harvey and Maggie decide to sell their home and move to a new home offering extra care and sheltered accommodation, they may find that they are able to release some equity in the process of moving, even if they decide to buy the new home rather than rent it.

The move into the nursing home is likely to be the trickiest option. It is likely to be the least attractive option for Harvey, assuming he is of sound mind, because it will be unsettling to move out of the family home. It is likely to be the most expensive option, with a typical nursing care home costing anywhere from £1,200 per week to £2,000 per week. It might mean that Harvey and Maggie are split up and that they are unable to release any equity because Maggie wishes to continue living in their family home.

The average length of stay in a UK nursing care home seems to be between 2 and 2 ½ years. So, as a very rough rule of thumb, the average cost of a stay in a nursing care home could be between £150,000 and £200,000.

What financial support is available?

The simple answer is, not a lot.

You will usually only be eligible for council funding if your savings and assets are below a set threshold – this is £23,350 in England, and varies in other parts of the UK.

While it may be tempting for Harvey and Maggie to have given away some of their savings or property to have a better chance of qualifying for free care, there are strict rules involved and they must avoid anything that could be classed as a 'deliberate deprivation of assets'.

In certain circumstances, the NHS will cover the cost of a care home if, for example, Harvey had very severe health needs, but the rules are complex and it is not easy to qualify.

Planning for long-term care

There is very little that Harvey and Maggie can now do to plan for their long-term care needs because they are already at a point where immediate help is required. For them, it is a question of finding the best option to meet their needs.

However, for the second generation of the Smith family, there are lessons that can be learned and actions that can be taken so that they are prepared to meet the potential costs of long-term care.

The most simple and straightforward way of planning to meet the costs of long-term care is to ensure that we have liquid funds earmarked for the potential cost.

As the second generation of the Smith family enter their retirement, there is a good chance that they will have liquid capital available to invest which has arisen from a possible business sale or the downsizing of their home or the maturity of some investments or from withdrawing the tax-free cash from their pension funds.

This liquid capital is often earmarked in the early years of retirement to help pay for expenses such as holidays. However, rather than whittling this money down to very little during their active and healthy retirement years, it may be prudent to keep back some of this investment to help them cover the costs of health care in old age.

With an ageing population, it is likely that the need to find funds to pay for health care in old age is only going to increase so it makes sense for all of us to plan for this as a possible and significant cost in our old age.



Market data

Market	Value at start of 2020	Current situation	Comments
Interest Rates (BOE base rate)	0.75%	0.75% at 28/02/20	The official bank rate is 0.75%.
House Prices (Nationwide)	House prices increased by 1.4% in 2019	House prices up by 0.5% at 28/02/20	Annual house price growth up by 2.3%.
UK Share Prices (FTSE 100)	7604.30	6580.61 at the close on 28/02/20	The FTSE 100 dropped by 705.40 points in February.

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