Careful planning can help lift burden of paying for your care

FIVE WAYS OF MEETING THE COST OF PROVIDING FOR YOU IN YOUR OLD AGE

BY MARK CHRISTIE

Meeting the cost of care in your old age, whether in your own home or a nursing home, is becoming a growing issue.

As life expectancy booms, more of us can expect to require some form of care in our latter years.

The average cost of residential care in Scotland is £25,064 a year and, if nursing care is also required, this rises to £31,616, although it's not uncommon to see this figure reach £40,000.

In Scotland, anyone with assets above £22,750, including the value of your home, is required to meet these costs.

Only when your total assets are below £14,000 will the local authority fully foot the bill. The Scottish Government provides some help to the tune of £156 a week for personal care and up to £71 a week for nursing care, depending on your circumstances.

However, this clearly leaves a huge shortfall. So what can you do? Here are five ways to plug the gap:

● Buy an impaired annuity

In return for a one-off lump sum, a guaranteed income is paid for as long as the policyholder lives. This is paid directly to the care provider and is, therefore, free from income tax.

It's advisable to factor in some form of inflation-proofing, taking into account cost increases over the last few years at the actual residential or nursing home being considered. Most plans will return a percentage of the lump sum if death occurs within six months, but it's also possible to extend the level of capital protection beyond this.

● Use existing savings

Many people will be forced to dip into existing savings and investments to meet any shortfall in care costs – making capital erosion hard to avoid. There are things you can do to limit this, though. Make sure your investments are well diversified, use all available tax allowances and take steps to reduce investment costs, such as buying into low-cost passive funds.

● Beware "asset deprivation"

Many schemes over the years have proclaimed to be able to remove your home from the potential costs of long-term care. Very few of these work, and most – if not all – will fall foul of something called "deliberate asset deprivation", deliberately depriving the local authority of an asset that could be used to fund care costs.

There are, however, some circumstances where a property can be excluded from means testing. These include if your spouse or partner still lives in the home and if a relative aged over 60, disabled or a minor aged under 16 is dependent on the person in care.

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● Release equity

Rather than sell your home, you could release equity from it or raise a debt against it. While many equity release schemes now include a negative equity guarantee – that the debt cannot be greater than the value of your home – the costs can be high, so consider such a move carefully, taking independent advice.

● Call on your family

Your family might be able to help – returning a helping hand from when you helped your children through university or on to the housing ladder.

● *Mark Christie is a director of Carbon Financial Partners. He can be contacted on Aberdeen (01224) 619215.*