

MONEY

How do you plan to cover cost of care?

INVESTMENTS

BY BARRY O'NEILL

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 £29,432 a year and if nursing care is also required this rises to £34,944 a year, but can commonly exceed £40,000 a year.

If you have assets exceeding £24,750, including the value of your home, you will be required to meet the full costs of your care.

Only once your total assets are below £15,250 will the local authority meet the cost of your care.

Some assistance will be

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provided to those falling between those two thresholds.

Free personal and nursing care payments may be available depending on the type of care you need, and depending on your age. You might also be entitled to claim for some benefits towards your cost of care.

If your income is insufficient to meet the cost of your accommodation, some of the funding options available include:

- Impaired annuity – if you have sufficient capital, you can invest a one-off lump sum to produce a guaranteed income for as long as the annuitant is alive. The income is paid directly to the care provider

and is therefore free from income tax. Care plans can return a percentage of the lump sum if death occurs within a specified period selected at outset.

- Savings and investments – many people are forced to dip into their reserves to meet any shortfall in care costs. Capital is likely to be eroded quickly.

- Your home – There are some legitimate circumstances where a property can be excluded from the means test, however, be wary of “schemes” that proclaim to be able to remove your home from such a means test because many fall foul of something called the “deliberate deprivation of assets” test.

- Equity release/mortgage – rather than sell their home, many people will either look to release some of the equity from it or raise a debt against it.

- Family contribution – in some cases a person’s family might want to help cover the costs if they would want their loved one to be looked after in a more expensive care home than the one being proposed by the local authority.

Advising on long-term care funding is a specialist activity due to the complexities of each individual’s personal circumstances.

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Barry O'Neill: complexities