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FACTSHEET **PROTECTION**

CARE FEES

Providing specialist care in our later years

Today, the cost of care is a major concern for many people, with the average level of pension savings unlikely to be enough to cover any long-term care requirements in addition to providing a retirement income.

CATCHING PEOPLE OFF GUARD

So why is care fee planning catching so many people off guard? Well, besides the fact that few of us like to think of ourselves going into long-term care in our old age, there are a number of other reasons. As we can now expect to live for 20 or 30 years beyond our selected retirement age, it becomes more likely that we will need specialist care in our later years.

Moreover, research compiled by the Institute and Faculty of Actuaries shows that while life expectancy has been increasing, healthy or disability-free life expectancy for both men and women has not nearly kept pace, leaving more people needing long-term care.

THE NEED FOR CARE FEE PLANNING

Estimates are that one in three women and one in four men aged 65 today is likely to need care. Even more relevant for long-term care is the number of over-85s, which is expected to more than double in the next 20 years[1].

Meanwhile, incidences of dementia are rising. It is forecast that the number of people in England and Wales aged 65 and over with dementia will increase by over 80% between 2010 and 2030, to 1.96 million[2].

These individuals will all need specialist care. As it stands, the average cost of dementia care per person is more than the average UK salary. In 2008, dementia cost the UK economy £23 billion – more than the costs of cancer and heart disease combined[3].

INTRODUCING A CAP ON CARE COSTS

Under the Government's new Care Bill, a cap on care costs will be introduced to prevent people paying more than £72,000 towards their own care. But while the care cap offers a safety net that will prevent some individuals from facing significant care costs, it will not replace savings as the key means of paying for care.

The cap only applies to local authority-set care costs – it does not take account of daily living costs or top-up care costs. With or without government support, it makes sense to plan for the unforeseen cost of care, not least because there is no specific savings product for care home fees. If you are not yet retired, start by drawing up a financial plan which includes the potential cost of care.

ALLOWING YOU MUCH GREATER FREEDOM

The good news is that this year's Budget changes allow you much greater freedom as to how you utilise your pension savings, enabling the money to be used for other purposes. Even if you end up not needing the money, saving something extra into your pension for the possibility of long-term care will mean the added bonus of a bigger pension pot.

You could also choose to use your annual New Individual Savings Account (NISA) allowance for this purpose. You will have instant access to your savings when you need it, which you can draw tax-efficiently.

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These can help ensure you have a regular income that can help with the burden of care fees while not eating into your original capital.

Source:
[1] Office for National Statistics, 2013a
[2] Lords Select Committee on Public Service and Demographic Change, 2013
[3] Carers UK, 2012

PROFESSIONAL FINANCIAL ADVICE YOU CAN TRUST

No one wants to spend their final years with little choice as to how or where they are cared for. Planning ahead and putting some savings away now will give you peace of mind. It will also ensure that you are not a financial and emotional burden on those nearest and dearest to you. To discuss your situation and review your options, please contact us.