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Funding future care costs

'The tragedy of old age is not that one is old, but that one is young'

With the UK's population ageing, more people will be living with long-term care needs. Oscar Wilde once said: 'The tragedy of old age is not that one is old, but that one is young.' But the good news of rising life expectancy also brings with it the challenge of how we fund our future care costs. The question is: who is responsible for looking after us if we need care in old age?

As we get older, it becomes more likely that we may need day-to-day help with activities such as washing and dressing, or assistance with household activities such as cleaning and cooking. This type of support, along with some types of medical care, is what is called 'long-term care'.

A GOOD LIFE IN OLD AGE

Demand for long-term care is expected to rise, thanks in part to our ageing population and the increasing prevalence of long-term conditions such as dementia. This makes planning ahead essential, but when it comes to funding later life it can get quite complicated, particularly since the costs depend on several unknowns, including how long we are going to live.

The matter is further exacerbated because of how local authorities calculate whether a person needs financial assistance for the cost of residential care.

LEVEL OF STATE SUPPORT

The level of state support received can be different depending on whether you live in England, Wales, Scotland or Northern Ireland.

In England and Wales, for example, currently you can receive means-tested state assistance, which depends on your savings and assets.

For instance, if your savings and assets are above £23,250 in England, you will normally be expected to pay for the full cost of long-term care yourself.

Government state benefits can also provide some help, but may not be enough or may not pay for the full cost of long-term care.

FINANCIAL SUPPORT ASSISTANCE

Long-term care insurance can provide the financial support you need if you have to pay for care assistance for yourself or a loved one. Additionally, some long-term care insurance will cover the cost

of assistance for those who need help to perform the basic activities of daily life such as getting out of bed, dressing, washing and going to the toilet.

You can receive long-term care in your own home or in residential or nursing homes. Regardless of where you receive care, paying for care in old age is a growing issue.

PLANNING FOR LONG-TERM CARE

There are a number of different ways to fund long-term care. These are some of the main options available for people needing to make provision.

IMMEDIATE NEEDS ANNUITIES

This annuity is a type of insurance policy that provides a regular income in exchange for an upfront lump sum investment. When used for long-term care, it provides a guaranteed income for life to pay for care costs in exchange for a





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one-off lump sum payment if you have care needs now. Income is tax-free if it is paid directly to the care provider.

ENHANCED ANNUITIES

You can use your pension to purchase an enhanced annuity (also known as an 'impaired life annuity') if you have a health problem or a long-term illness, if you are overweight, or if you smoke. Annuity providers use full medical underwriting to determine a more accurate individual price. People with medical conditions including Parkinson's disease and multiple sclerosis, or those who have had a major organ transplant, are likely to be eligible for an enhanced annuity.

EQUITY RELEASE SCHEMES

If you need to fund your long-term care and have already paid off (or nearly paid off) your mortgage, an equity release scheme could be one option to consider if appropriate. It is important to obtain professional financial advice before committing to an equity release scheme. Your individual circumstances need to be assessed, and this is why financial advice is a must in the process and a regulatory requirement.

These schemes give you the ability to obtain a cash lump sum as a loan secured on your home. However, it's essential to make an informed decision and consider the options and alternatives available, plus any implications

regarding state benefits, local authority support and tax obligations.

SAVINGS AND INVESTMENTS

These two methods enable you to plan ahead and ensure your savings and assets are in place for your future care needs.

If you are already retired, or nearing retirement, you should ensure that your financial affairs are in order – for example, arranging or updating your Will or Power of Attorney. It also makes sense to ensure your savings, investments and other assets are in order in the event that you or your partner may need long-term care in the future.

If you are of working age, you are in the best position to plan for your future care needs. Accumulating wealth through investments or savings while you are earning will help with the potential costs of long-term care in later life.

WHEN PLANNING FOR FUTURE CARE NEEDS, WHAT SHOULD YOU THINK ABOUT?

- Who in your family may most need long-term care and for how long?
- Do you or another family member need to make long-term care provision now?
- Do you have sufficient money to pay for future long-term care fees?
- How long might you need to pay for a care fees plan?

- Is there the likelihood that home care or a nursing home may be required?
- What activities may you require help with, for example, help with dressing, using the toilet, feeding or mobility?
- Would your home require additional features such as a stair lift, an opening and closing bath, or a bath chair?

LOOKING TO REVIEW THE LONG-TERM CARE FUNDING OPTIONS AVAILABLE TO YOU?

All in all, planning and timing are of utmost importance when it comes to funding for long-term care, and this is more the case now than ever. We can assist you to review the appropriate options available to help fund care and minimise the impact of long-term care fees. To find out more, please contact us.

