

Long Term Care Costs – Has the Problem Gone Away?

I am sure you, like me, read with interest the government proposals to raise the “asset threshold” above which local authorities will contribute to the cost of nursing care, and to cap the total amount an individual will be expected to pay.

Currently the threshold is £23,250. If your clients have a net worth higher than this they will not get any financial support from the local authority. The proposal is to raise this to £123,000. This may sound a large increase, but given the size of the potential problem for our older clients it is really not very much at all. This is especially the case as, unless those clients have received and acted on some very good planning advice, the value of their home may well be included – in which case this increase is pretty meaningless.

Currently there is no limit on the amount an individual requiring care is expected to pay personally. The proposal is to introduce a cap of £75,000. This is probably welcome news to the very wealthy, but clients of moderate means will still find this could mean the amount left to pass on to their loved ones when they die is substantially reduced.

There is some “small print” here, though, which significantly diminishes the potential benefit of this cap.

The cap will only apply from April 2017. Anything your client spends on care before this will not count towards the cap, so clients going into care before this date may end up paying considerably more.

The £75,000 does not include “hotel” costs – i.e. the ordinary accommodation element of the care costs. The proposal is that up to £12,000 a year will fall into this category. Latest statistics suggest the “average” person in nursing care can expect to spend just over two years in care. Outside London it is unlikely the “non hotel” care fees would reach the level of the cap in this average two year period. But your client may well not be “average”. According to the immediate annuity provider, Partnership, 10% of those requiring long term care live in care for eight years. If your client is one of those 10%, that means the total bill to be funded personally will now be £171,000 – and if they are lucky, or unlucky, enough to survive in care longer it could be considerably more.

There is also the question of “eligibility” for the care. The proposed legislation does not specify exactly what needs will be considered eligible, but if your client’s needs do not meet these as yet undefined criteria the cap will not apply.

All of this assumes that when the Bill becomes an Act of Parliament there are no significant changes at all. As the country’s problem of an aging population is worsening I am not convinced there will be no watering down of the proposed protection when the time comes.

So this “cap” hardly qualifies as a cap at all.

When you read the initial news headlines, perhaps your reaction was to assume advising clients on provision for long term care was less relevant. The stark reality, though, is that this has been an area of great concern to older clients for many years, and there is nothing in the announced changes which means those clients should be any less concerned.

Advice on long term care may well be a specialist subject, and if you do not have the required specialist qualifications you may feel it is too much trouble to obtain them, especially as by now you are probably fed up to the teeth with exams! But if you have any older clients in your client bank, or if your clients have elderly parents or other relatives, they really should be taking proper advice in this area.

This advice is not limited to the narrow niche of long-term care investment products, for which those specialist qualifications are clearly required. There are also some quite basic steps your clients can take to limit the contribution a local authority can require, such as avoiding the use of joint bank accounts and focusing their investments in insurance bonds (which are not counted as available assets in the care costs means test). Perhaps now is the time to brush up on the current regulations and be confident you can help your older clients minimise the potentially disastrous impact of long term care costs.