



## The Impact Of Changes To The Way Long Term Care Is Funded

Health Secretary Jeremy Hunt confirmed in February that he will set a cap of £75,000 (effective from April 2017) on the amount people have to contribute to their personal care needs, with the State paying the rest. But this is far higher than the £35,000 cap recommended two years ago by a commission headed by economist Andrew Dilnot and think-tank Demos said the £75,000 cap would help no more than one in six people, whereas a £35,000 cap would have helped one in three.

So what does this proposed new regime mean?

The care cost element is to be capped at £75,000, but all is not as it appears.

- This cap only covers the care element, not the hotel (bed and board) element. It's estimated that the care element is only about one third of the total cost and accordingly people will have to pay over £200,000 in total costs before the care cost cap kicks in. The hotel cost has been capped at £12,500 per annum but it remains to be seen how this will work in practice.
- The cap is not based on what is actually paid for the care cost element but rather what the local authority could have provided that care cost element at. Since privately-funded clients always pay more than socially-funded clients, people will actually have paid more than £75,000 in total before they reach the new £75,000 cap and it's estimated that they will pay over £100,000 for the care element before they reach the £75,000 cap. In other words it's not what you pay but what you get credit for.
- The State will only fund the standard type of care home provided by local authorities. Anyone wanting to move into a nicer home will have to pay a top-up.
- Double would have to be paid if both spouses/partners in a couple need care.

The Government is claiming that people will no longer have to sell their homes in their lifetimes to pay for care (as they will be able to defer care payments until after their death), but many will still lose their homes to pay for care, the only difference being that they will be sold after they have died (with the Local Authority

now charging interest from the outset instead of from the date of death). In our experience, most people are more concerned about whether or not they will lose their house than when that might happen.

The upper threshold for qualifying for care is to be increased from £23,250 to £123,000, however most people with a property will be way above that limit. The lower limit remains at £14,250 and accordingly, people will still have to pay tariff income (a capital-related contribution to the cost of their care) of up to £435 per week or over £22,000 per annum.

As the average stay in care is 2 to 3 years, it's expected that people will need to be in care for between 4 and 5 years before the cap is of any assistance as it will take that long before they have accrued the £75,000 in care costs as calculated by the Local Authority.

The £1 Billion of cost is to be funded 80% from higher employers' national insurance contributions and 20% by freezing the Inheritance Tax Nil Rate Band until April 2019.

In conclusion, although it seems that this is a dramatic change on the face of it, it is unlikely to affect the vast majority of people going into care. As Jeremy Hunt himself said, it was designed to avoid only the catastrophic costs of those who are in care for a long time and lose much more than the average.

Long Term Care planning is a big topic with many options and pitfalls and one that needs careful thought and advice. The Solicitors Regulation Authority is looking at evidence of mis-selling of asset protection trusts by unscrupulous advisers who have preyed on the fears of elderly people and charged them thousands of pounds for what could turn out to be worthless pieces of paper.

To arrange a free initial honest consultation to discuss the pros and cons of the planning options available, please contact us today.

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