



Funding Long-Term Care: What you need to know

If you are facing the difficult dilemma of how to fund long-term care in the near future, you will already know that the cost can be extremely high: if you need live-in care in your own home it could range from £46,800 to £104,000 per year.¹

There are various ways to pay for care, such as selling investments and property, or by purchasing 'long-term care insurance.' At JM Finn, our expert wealth planning team can ease some of the stress by helping to find the right funding option for you and to try to safeguard as much of your wealth as possible.

¹ <https://www.insurancebusinessmag.com/uk/guides/long-term-care-insurance-in-the-uk-whats-going-on-438786.aspx>



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How can JM Finn help you plan for funding long-term care?

Our wealth planners will conduct a comprehensive review of your situation including the investments you hold with JM Finn and any other financial products you hold elsewhere. They'll explore all the options that are available to you to pay for your care and use cash flow modelling tools to test different scenarios and help you to decide which is best for you.

What is 'long-term care insurance'?

This product is similar to an annuity: in exchange for a lump sum of money, it will make guaranteed regular tax-free payments directly to a registered care provider for the rest of your life.

Long-term care insurance plans can be purchased either for payments to commence immediately (known as an immediate care plan or immediate needs annuity) or to start at a set point in the future (known as a pre-funded care plan). The latter option may be suited to those who can afford to cover their own care fees for up to five years but want to ensure that paying for care would not use up all their available funds.

Who might long-term care insurance be suitable for?

It is designed for people who:

- Are aged 60 or over;
- Are already receiving care or will be within the next 12 months;
- Aim to fund the cost of care while limiting the threat to their eventual legacy.

What are the possible benefits of long-term care insurance?

- **Offers some certainty over care costs:** The main advantage of having insurance in place is that it can reassure you that payments will be made towards your care and give you a degree of certainty over the costs for the remainder of your life;
- **Potentially avoid the need to sell some or all of your investments or property:** This could help you to continue to receive income from assets and to pass on more of your wealth to your loved ones;
- **Flexibility to include inflation protection:** At the start of the plan, you will have the flexibility to tailor and escalate the income the plan provides to help cover increases in care costs;
- **Tax-free payments will be made directly to qualifying institutions:** As long as the provider is registered with the Care Quality Commission in England or equivalent bodies in Scotland.



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What are the potential risks of long-term care insurance?

- **Inadequate cover for rising care costs:**
The level of care you need could increase in the future and you could be responsible for paying the difference in cost yourself if you have not made provisions for this within your insurance plan;
- **Lack of flexibility once plan is in place:**
It is unlikely that you will be able to alter income payments if your circumstances change. Also, the plan cannot be cancelled or cashed in at any time after the first 30 days;
- **When you pass away, your beneficiaries would not typically receive any money from your long-term care insurance plan:**
In some plans, they may receive a nominal sum if you pass away soon after taking out the insurance. This means that you should carefully consider your current health, life expectancy and financial circumstances to decide if it might be right for you.

Case study: Jennifer Smith (for illustrative purposes only)

When Jennifer Smith, aged 80, broke her hip and could no longer manage on her own, she knew she would have to consider permanent nursing care. Those with assets of more than £23,250 have to pay for their own care. Because Jennifer lived alone, owned her property and held £150,000 of investments, this put her well above the level at which she could ask for Local Authority support. Funding therefore fell entirely to her. She explored two options that were available to her:

Option A She could sell her investments, unlocking £150,000 to pay her care fees. Potentially, Jennifer could find herself in a situation where she uses up the £150,000 and would still need to find a way to pay her care fees in future. This could also have an impact on any inheritance left to her loved ones.

Option B She could speak to a qualified financial planner who would assess her financial situation. At age 80 Jennifer could purchase an Immediate Care Plan for £105,434 which could pay £20,000 per year² towards her care fees for the rest of her life, and also has built-in inflation protection of up to 5% per year. This could be used in conjunction with an investment strategy to both safeguard her care and still provide an inheritance to her family.

² Source: Just Group plc. Rates correct as at April 2023

What is your fee for advice on long-term care?

Advice on long-term care will be subject to our standard wealth planning fee tariff.

If you opt to take out a long-term insurance product, our fees would be a maximum of 1.5% of the premium. These fees would usually be incorporated into the overall cost of the premium you pay to the provider, which we will then recoup from the company. In some circumstances you would pay the fees to us directly on a fixed or hourly basis, depending on which option would be more cost efficient for you. Full information on fees would be given during the first meeting with a wealth planner.

If you would like any further information or to speak with a member of our wealth planning team to see if they may be able to help you, please contact your investment manager.



The main advantage of having insurance in place is that it can reassure you that payments will be made towards your care and give you a degree of certainty over the costs for the remainder of your life.

The information provided in this article is of a general nature. It is not a substitute for specific advice with regard to your own circumstances. You are recommended to obtain professional advice from a professional accountant or solicitor before you take any action or refrain from action.

The value of investments and the income from them can go down as well as up and investors may not get back the amount originally invested.

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