

## **A Money Trainers Money Tip Sheet**

In this Tip Sheet **Care Fees** (Based on rules as at 1/4/2022)

Despite promises to solve the problem of care fees it has been a case of all of the cans being kicked down the road by most Governments that have looked at that problem in recent years.

Assuming an elderly parent can't look after themselves at home anymore then here are the scenarios.

There are three parts to this.

State Funded Care - called by the NHS Continuing Care. Guaranteed if you are not able to look after yourself because you are on your deathbed (less than 12 weeks to live usually) or are pretty unwell.

There is an assessment for it and few actually get funding. That is because it is designed for those that are in pretty poor shape.

Then there is the other part. Those that have less than £23,250 in assets like cash or investments. These people will have a 'care home' cost covered by the local Council who have the statutory obligation to fund any care home that is needed.

Most councils also provide a kind of 'in home' domiciliary care that is either free of charge or funded. If they need a care home place then they are likely to have any pension income they have taken to help with the care costs.

Those that have over £23,250 will have to fund the places themselves in full from income or assets until they have less than £23,250 (£14,000 in 2023)

Further, from 2023 there will be a lifetime cap on the costs of care fees which means the actual lifetime spend will be limited to £86,000<sup>1</sup> and the capital limits will change. For those people with assets of £14,000 - £100,000 or then they will qualify for some support from the council with an underpin that no more than 20% of assets can be spent per year.

*“As a result, people with less than £100,000 of chargeable assets will never contribute more than 20% of these assets per year. The UCL of £100,000 will apply universally, irrespective of the circumstances or setting in which an individual receives care, making it a much more generous offer than a previous proposal in 2015. The lower capital limit (LCL), the threshold below which people will not have to pay anything for their care from their assets will increase to £20,000 from £14,250”.*

Please note that the average stay in a care home is around 26 months.<sup>2</sup>

In terms of planning for the event of needing care, the actual statistics are revealing.

Only a small percentage of adults actually need it.

According to the Kings Fund, around 800,000 people in the UK (19/20)<sup>3</sup> and old Age UK Stats seem to indicate that around 15% of 85 year olds needed to be in a care home.<sup>4</sup>

Noting all of that there needs to be some perspective put on your options when thinking about your own care costs and those of your family.

Average life expectancy in the UK is still well under that. Meaning that not everyone will get that far.

## **Options**

An entire industry has been created in order to avoid ‘having to pay care home costs’ which is interesting when you think that the chances of needing it are low and the 2014 Care Act is designed to prevent individuals from ‘protecting assets’ from the unlikely event of someone needing care.

The issue from a tax payers perspective is an interesting one.

The obligation to fund care falls on the local authority. If care fees are a burden to the local authority then they will increase Council Tax to fund it. If they suspect that assets have been hidden away, they can chase the beneficiaries (immediate or future) in order to cover the costs of care that they have a legal obligation to pay.

Further, who should pay for looking after the octogenarians that need care? General taxation seems harsh if people have assets, and local taxation seems even more unfair. But that's not for here.

What I can say is this. If you have been approached with an offer of 'care fees avoidance' or 'estate management' to avoid fees, or even some kind of 'trust arrangement' then the winner is likely to be the person selling you the solution.

I have plenty of evidence that unqualified idiots are flogging these plans left right and centre, normally door to door and they don't work like they are explained.

The rules in place have always protected against this kind of planning. And the 2014 Care Act finally cements them into the ground - never to be used again.

- Trusts - will fail the test.
- Severing tenancies - have some mileage but fail the test.
- Lifetime interest - go part way but fail the test.
- Giving assets away, adding the children to the property.

Are all likely to fail.

The key here is that all of these are 'sold' as solutions to the care fees conundrum. They are tried and tested solutions for lots of things and they rely on you knowing what the future situation is, when that happens and the individual concerned.

Perhaps if we could all read the future life would be a lot easier. But we can't. And, you could be spending a small fortune on plans that either won't work, could be damn dangerous (trusts for example) simply because the rules are ahead of the game.

Deprivation of assets apply, in the same way as it always has.

And with any liability for payment of fees passing directly to any potential beneficiary may be a lot worse than you expect. Importantly, given the risk of needing a care home are quite low, should you really be spending good money on something that may not work and is not needed?

There are plenty of people that will tell you you do need to spend that money - I am here telling you they are wrong. But then again I don't make my money selling Care Fees Avoidance Schemes.

Richard

Explainer In Chief at [Moneytrainers.co.uk](http://Moneytrainers.co.uk)

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**Specific Financial Product and Planning Advice/Trusts one to one** - Laurence  
Gould- DipFA, AwPETR, CeMAP - Independent Financial Adviser  
Part of the Julian Harris Network

## Endnotes

1. [Adult social care charging reform: further details - GOV.UK \(www.gov.uk\)](http://www.gov.uk)
2. [Written questions and answers - Written questions, answers and statements - UK Parliament](#)
3. [Key facts and figures about adult social care | The King's Fund \(kingsfund.org.uk\)](http://kingsfund.org.uk)
4. [Microsoft Word - State of Health and Care of Older People FINAL \(ageuk.org.uk\)](http://ageuk.org.uk)