ST. JAMES'S PLACE
WEALTH MANAGEMENT

CARE FEES PLANNING (SCOTLAND)

The Partners at St. James's Place who operate in the care market are selected based on their knowledge and experience in advising families about their choices when it comes to receiving and paying for care. Although this guide has been compiled to help you understand your options; to make the process less daunting, it cannot replace the advice of our Partners.

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TAKING THE STRESS OUT OF PAYING FOR CARE

Selecting the right care for ourselves, or a relative, is something few of us have experience of. After all, for most of us, it is something we may only have to do once. It is however a growing issue for many people in the UK and, as life expectancy continues to lengthen, it is something that an ever increasing proportion of the population will need to address.

If you are planning for your own care, the costs involved can be daunting to say the least. The average cost of residential care in Scotland is currently estimated at £761 per week. If nursing is also required, this can rise to £845 per week. The average cost of care in your own home is around £15 per hour*. However, these averages not only vary from region to region throughout Scotland, but are suppressed by local authority rates, and fees of £1,000 to £1,250 a week are not uncommon. While the state can help with some costs, eligibility is limited and many people find themselves over the threshold at which state support is provided.

We hope this guide serves to point you in the right direction, and starts to take the stress out of assessing your options. When you are ready to take some decisions we hope that you will speak to your St. James's Place Partner.

* *Source: Laing Buisson Care of older people, UK market report 2018/19*

PLANNING

Decisions about care are often made at a time of crisis, and the process can feel overwhelming and complex, particularly if the move has been prompted by an accident or unexpected event, or perhaps even the death of a spouse or carer.

Whatever your current position, it will always pay to be prepared. By ensuring some simple planning is done in advance can help you and your loved ones save a lot of time and expense.

POWERS OF ATTORNEY

GIVING SOMEONE YOU TRUST THE POWER TO MAKE DECISIONS FOR YOU

We all hope to remain healthy and independent but, unfortunately, this is not always the case, and for some of us, there will come a time when we are not physically or mentally able to make decisions for ourselves. Advanced planning can give you the peace of mind knowing that somebody you have chosen will be making decisions on your behalf.

The legal power to act on behalf of someone who is mentally or physically incapacitated is known as a Power of Attorney (POA).

WHY DO I NEED A POA?

If you lose the mental capacity to make your own decisions, without a POA in place, an application would need to be made to the Sheriff Court for someone to be designated to act on your behalf. Not only can this be very time consuming and expensive, but importantly it would mean that you have no control over who is chosen to act on your behalf.

SETTING UP A POA

A POA can only be created if you, the donor, has full mental capacity. We would highly recommend that you obtain professional help and we can recommend a solicitor who will arrange a POA for a fixed fee. The solicitor will ensure you understand the document, how it can help you and what the attorneys can and cannot do on your behalf. Should you wish, they will act as a certificate provider, which is required for a valid POA, and register it with the Office of the Public Guardian. At this point, your chosen attorney, who can be a family member or friend, will be able to act on your behalf. The attorney must be over 18 years old and of sound mind.

You can appoint more than one attorney to act, and arrange the POA such that they act together, so they are all required to sign any documentation, or alternatively, you can appoint them so only one would need to provide a signature.

THREE TYPES OF POA

There is a 'Continuing Power of Attorney' which enables the attorney to make decisions regarding how your money is managed, and how your property and other financial affairs are dealt with; there is a 'Welfare POA', which enables your attorney to make decisions that impact your medical condition, including where you live and your day to day care, or specific medical treatment.

You can choose to put in place one or both, and can have different attorneys for each; the decision is yours, and there is a 'Combined POA', which combines both a continuing and welfare power of attorney.

GIFTING

An attorney's ability to make gifts on your behalf is very limited without reference to the Office of the Public Guardian. There are, however, alternative options should you wish to engage in, say Inheritance Tax planning.

MANAGING YOUR FINANCES

Looking after your finances can have a dramatic effect on your ability to pay for the type of care or care home that you require. All St. James's Place Partners operating in the care market have expert knowledge and experience in this field. If, for whatever reason, you would rather speak to an alternative adviser, please contact the Society of Later Life Advisers at: www.societyoflaterlifeadvisers.co.uk

WILLS

If you have arranged a Will, it may sound simple and obvious, but it is important to ensure it is kept up-to-date. A Will is often prepared and never reconsidered, and as family and financial circumstances change a Will can quickly become out of date, no longer reflecting your wishes.

If you do not have a Will that deals with much more than just your finances, think about it. Do not assume that everything will simply pass automatically to your spouse and/or children. your spouse and/or children.

Powers of Attorney and Will writing involve the referral to a service that is separate and distinct to those offered by St. James's Place and are not regulated by the Financial Conduct Authority.

GETTING HELP FROM THE STATE

Regardless of whether you think you will qualify for financial assistance with your care fees, you should contact your local authority to carry out an assessment of your needs.

This assessment will assess your needs and wishes and help determine the most suitable help for your individual circumstances. If you are assessed as having 'qualifying eligible needs', the state may provide assistance – albeit limited.

You may also be eligible for a local authority grant to help with home adaptions, allowing you to live independently for longer.

QUALIFYING FOR SUPPORT

State assistance with the cost of social care is means-tested – primarily by imposing upper and lower capital limits on the value of your savings, property and other assets.

In Scotland, for example, if an individual's assets, including any property, have a total value of less than £18,000, care bills will be paid in full by the State, although they may expect a contribution if certain benefits or any income are being received by that individual.

If personal assets exceed £28,750, an individual will normally be expected to pay for their own care in full.

A reducing scale of support applies between £18,000 and £28,750, based on the person contributing £1 a week for every £250 in assets over £18,000. So, someone with assets of £19,500 would be expected to contribute £6 a week (£1,500 ÷ £250 x £1 = £6) towards care.

Your care needs will be assessed and defined as either 'critical', 'substantial', 'moderate' or 'low'. Many local authorities apply the 'substantial' or 'critical' definition of eligible needs when considering if support is available. If your care need is considered to be 'moderate' or 'low', no support will be available, even if your assets fall below the upper capital limits.

QUALIFYING FOR SUPPORT

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Where an individual's assets, including any property, have a total value of less than lower capital limit, care bills will be paid in full by the State, although they may expect a contribution if certain benefits or any income are being received by that individual.

If personal assets exceed the upper capital limit, an individual will normally be expected to pay for their own care in full. Different upper and lower capital limits apply depending on where you live in the UK. To view all the allowances and benefits please ask your St. James's Place Partner for a copy of the Long Term Care Limits, Allowances and Benefits factsheet.

In England, Scotland and Northern Ireland, where personal assets are between the lower and upper capital limit a reducing scale of support will apply. For every £250 in assets over the lower capital limit the individual will be expected to contribute £1 a week.

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FINANCIAL ASSESSMENT

Local authority means-testing will look to include most capital and savings held in your name, including:

- bank and building society accounts
- national savings and premium bonds
- stocks, shares and most investment products
- income from State, personal and occupational pensions
- property and land (less any mortgage).

Some assets are disregarded by the means-test, including:

- value of life policies
- some compensation payments held in trust or by the courts
- some investment bonds with a life assurance element (check with your provider)
- property that continues to be inhabited by a partner, dependant or certain other parties.

Jointly-held savings and assets will usually be divided in two to calculate an individual's share.

Some forms of income will also be disregarded from the means test including War Widow's special payments, the mobility component of the Disability Living Allowance and – within certain limits – spouse/partner payments from a private or occupational pension. The local authority will assume that income from benefits such as the Pension Credit is being fully claimed, so it is important that all relevant benefits are taken up. Local authorities may also want to look at recent transactions to check that a person has not deliberately deprived themselves of capital to qualify for care support – for example, transferring a property into the name of a family member or investing capital in an investment bond at very short notice.

REVIEWING QUALIFICATION

The rules are stringent and mean you may not get any state help with the cost of care. But your assets can be reassessed over time, and in the event of assets falling below the upper capital limit, the authorities will start to help with funding.

BENEFITS AND ALLOWANCES

A number of benefits and allowances are available to help those requiring care. There are means-tested and non-means-tested benefits. If you are entitled to them make sure you claim them. There are many good calculators on the internet and some local authorities have benefit teams who can help you. There are also a number of voluntary agencies who can do benefit checks and even help with application forms.

PERSONAL EXPENSE ALLOWANCE

Personal expenses allowance is a small sum of money that is disregarded from your income for your own personal use to cover things such as toiletries, newspapers, clothing etc.

ATTENDANCE ALLOWANCE

Attendance Allowance is a non-means-tested, non-taxable allowance for people aged 65 or over, who are physically or mentally disabled and require care for six months or more. There are two rates; the lower for those who need care by day or by night, the higher for those who need care both day and night.

DISABILITY LIVING ALLOWANCE

Disability Living Allowance (DLA) has been replaced with Personal Independence Payment for people aged between 16 and of 65.

If you are already in receipt of DLA, and were born before 8 April 1948, you will continue to receive DLA for as long as you are eligible for it.

If you are in receipt of DLA, and were born after this date, you will be invited to reapply for Personal Independence Payment.

PERSONAL INDEPENDENCE PAYMENT

Personal Independence Payment (PIP) replaced DLA from 8 April 2013. PIP is a non means tested, non-taxable benefit and is made up of two components – a ‘daily living’ component and a ‘mobility’ component, and is paid at a lower or higher rate depending on how much support you need.

You may be eligible for one or both components depending on how severely your condition effects.

CARER’S ALLOWANCE

If your spouse, or perhaps a friend, is helping you with your care needs, they may be entitled to claim Carer’s Allowance.

Carer’s Allowance is a non means tested, non taxable benefit payable to those who look after somebody who is receipt of a disability benefit, for example AA or PIP.

Eligibility depends on how much care they are providing, and their own earnings, and it’s important to be aware that receipt of Carer’s Allowance can affect eligibility for other benefits.

CARER’S ASSESSMENT

If somebody is providing you with regular care, they may also be entitled to a Carers Assessment. This looks at what care and support is being provided, and how your carer could be supported to enable them to continue to provide care. This can be anything from a simple ‘sitting service’ to give them a break, or opportunity to pursue an outside interest.

MINIMUM INCOME GUARANTEE

If you are receiving care in your home, and do not qualify for local authority support, the local authority must ensure you are left with enough income to meet your living expenses. This is known as the Minimum Income Guarantee.

You may be eligible for other benefits such as Pension Credit and Winter Fuel Payments – so please do check.

CHOOSING THE RIGHT KIND OF CARE

CARE AT HOME

Care at home, sometimes also referred to as 'domiciliary care', is something most of us would choose as a first option. Not only is it a realistic alternative, but local authorities, in practice, try to support this for as long as possible. Care at home does not have to mean personal care; it could mean a hot meal, a laundry service, help with cleaning or even keeping the garden tidy.

If staying at home is not possible, but you are not ready to move into a care home, then 'independent living schemes' may be an option. These are also referred to as extra care/assisted care or retirement villages. The facilities and choices vary considerably but do provide independent living, albeit with varying care provision. Schemes can be privately rented, shared or owned properties, or have a social landlord. Your local district councils' housing officer should be able to provide information or you could contact a specialist housing service such as Shelter.

RESIDENTIAL CARE

If you need more help with day-to-day personal care, residential homes have care assistants and may therefore be the right option. They do not, however, provide health or nursing care. Some residential homes may have a registered nurse on their staff, but this is not the same as being a registered nursing home.

NURSING CARE

If your needs include a medical element, then provision of care by a registered nurse and a higher staff to resident ratio from a nursing home, may be a more suitable option.

Some care homes provide residential and nursing beds. These are often referred to as 'dual registered homes' and are often suitable for people whose needs are likely to increase or change in the future.

EMI/SPECIALIST CARE

EMI stands for 'Elderly Mentally Infirm'. While this is not a particularly pleasant term it does, nevertheless, indicate homes with the ability to provide more specialist care. They offer higher staffing to resident ratios and a more secure environment which may be needed as dementia progresses.

SELECTING A CARE HOME

Even when you have made a decision to move into residential care, do not be rushed into selecting a care home. Take your time; visit as many homes as you can, get advice and the views of family or friends. Compare the properties, the facilities and remember, this will be your permanent home. The following questions are just some of those we believe you would benefit from considering.

Remember, when looking at the questions, it is what is important to you that matters.

THE BUILDING

- Is it in the right location? Is it close enough to family and friends and are there sufficient transport links and parking to enable them to visit?
- Are you comfortable with the size and type of property? Would you prefer a larger home with more people, a more modern or older property?
- Are there any restrictions for visitors? Are they able to stay over, can children visit, do they need to book an appointment?
- Is there a garden and are the grounds generally accessible with somewhere for you to sit out or perhaps have an area of your own?
- How secure are the grounds? What are the safeguards for you and your possessions?

FIRST IMPRESSIONS AND FACILITIES

- Is the home clean and does it smell fresh? How do the residents appear? Are they busy and motivated?
- Is there a regular programme of activities, and are the staff welcoming, friendly and interacting with the residents?
- Do you have your own space with a separate choice of quiet sitting rooms, a separate TV lounge or separate dining areas?

- What are the catering facilities? Is there a good choice? Can they cater for any special dietary requirements and can visitors join you for meals?
- Does the home allow pets?
- Does the home have Broadband or Wi-Fi connections?

MEETING YOUR CARE NEEDS

- What is the staff to resident ratio, and does this change from day to night time?
- What is the turnover of staff and percentage of agency workers?
- What happens if your needs change in the future?
- How would your specific needs be met, not just personal care, but other aspects such as religious or social preferences?
- Has the home had a Care Inspectorate report, and can they provide you with a copy?

CONTRACT

- Before you sign any contract, are you able to move in on a trial basis?
- Is there a difference between self-funders and local authority funded residents at the home?
- Obtain a copy of the contract and check whether it includes everything that you will need. To what extent are there any extra charges for activities or the provision of care that will be relevant to you?
- What are the terms of the contract in respect of any hospital stay, or termination clauses, should you move or on death?
- If your funds reduce, will the home accept the local authority rate or will there be a need for a personal or a third party top-up?
What is the home's policy if funds run out?

This is not an exhaustive list but a good starting point, and other questions may come to mind when you visit the homes.

CARE SOURCER

Choosing the right care setting for ourselves or a relative can be confusing, complex and time consuming. Decisions need to be made with little time, and often little experience of the care and benefits system and with so many things to think about, the journey can feel somewhat daunting and overwhelming. It is important to consider all of the options, although if you are not sure what they are that is easier said than done.

St. James's Place work with Care Sourcer to help you navigate this journey. Care Sourcer's 'Care Concierge Service' is a confidential telephone advisory service that can help you to understand the support and benefits available to you and explore the most suitable care to meet your needs. Their care experts have extensive knowledge of the care industry and can help:

- Review what type of care might be needed and explore suitable care options
- Guidance on all aspects of care funding and benefit entitlement
- Put a package of care in place - in as little as 24 hours if needed
- Understand typical care fees and secure the best possible care at the lowest cost

To find out more about the Care Concierge service and how it can help you, speak to your St. James's Place Partner.

The services offered by Care Sourcer are separate and distinct to those offered by St. James's Place.

REGULATORY BODY

The independent sector of social care services, in particular, has witnessed several changes of regulator, regulatory standards and guidance, and inspection regimes in the last few years' and we are likely to see yet more changes.

At the present time, the relevant regulatory body for Scotland is The Care Inspectorate.

The Care Inspectorate is set up to regulate all sectors of the care community, from domiciliary care providers to residential and nursing homes. The latest inspection reports for care providers can be found on The Care Inspectorate website.

SOLLA

SOLLA was established in 2008 as a not for profit organisation dedicated to higher standards and accessibility to regulated financial advice for older people and their families. SOLLA helps people and their families in finding trusted accredited financial advisers who understand financial needs in later life. To become a full member of the Society, a financial adviser must achieve the Later Life Adviser Accreditation (LLAA). The LLAA has become established as an industry standard of excellence for those advising in the later life market.

HOW TO COVER THE COST OF CARE

Unfortunately, one in four people who fund their own care run out of money**. Most commonly, this is because they do not consider all the options or take proper advice.

The problem is that nobody can predict how long care will be required and therefore how long it will have to be paid for. Running out of money means relying on the local authority to fund your care, and there are no guarantees the local authority will wish to maintain the same payment levels. Unless your family is able to make up the difference, compromises may have to be made regarding, for example, the size or outlook of the room or moving to an alternative care home. In addition, of course, using up all the money to pay for care means there is no legacy to leave to loved ones.

However, with financial planning it may be possible to fund care for as long as required, whilst safeguarding as much capital as possible. For this reason consulting with a care fees advisor is essential from both a health and financial perspective.

PAYING FOR CARE – SOME OPTIONS

Own income: You may receive sufficient income from pensions and existing savings and investments, or rental income from your home, to pay for care in full, or as a 'top-up'. Even if this is the case, take advice. It is likely improvements can be made.

Family contribution: Your family may be able to cover some or all of the cost, or difference in cost, as a 'top up'. If neither of these are an option, you will need to raise money either by accessing savings or investments, releasing money from your home via an equity release plan, or selling the home (see over).

** *Source: Partnership 2013*

Savings accounts: This includes money held in deposit accounts, Cash, Individual Savings Accounts (ISAs) and National Savings. Very low risk, but with current rates of interest you will need to ensure your capital is not eroded too quickly.

Investments: There are many possibilities here, from investment bonds and unit trusts to shares. However, the most profitable are usually the highest risk, therefore a balance may need to be struck. There is no guarantee that values will not fall or put your capital at risk.

The value of an investment with St. James's Place will be directly linked to the performance of the funds you select and the value can therefore go down as well as up. You may get back less than you invested. Equities do not have the security of capital which is characteristic of a deposit with a bank or building society.

Care Fees Plans (also known as Immediate Needs Annuities): These are specialist insurance plans designed to convert capital into income to help meet care fees. In return for a one-off lump sum you receive a guaranteed tax free income for life, provided that it is paid directly to the care home.

The levels and bases of taxation, and reliefs from taxation, can change at any time. The value of any tax relief depends on individual circumstances.

YOUR PROPERTY

The proceeds of a house sale can be used to support any of these options if other assets on their own are insufficient.

Equity release†: As long as someone is still resident at the property, this enables funds to be released while still allowing the home to be retained (however, the debt has to be cleared on your death).

†This is a lifetime mortgage or home reversion plan. To understand the features and risks associated with such products, please ask for a personalised illustration.

Rental: Letting out property could deliver a regular income stream but owners need to be sure the net income after bills and allowing for periods of vacant tenancy and management costs, will be enough to cover care bills.

Deferred payment agreements (DPA): The DPA enables an individual to access a loan from the Local Authority secured against their property. Interest can be accrued, and the entire debt must be repaid within 90 days of death.

FREQUENTLY ASKED QUESTIONS

The following questions are typical of common concerns raised. Hopefully the answers will be of value to those experiencing similar issues.

Question: Our parents have a joint income and around £40,000 in savings. My father needs to go into nursing care, but my mother wants to remain at home; can we be forced to sell the property to pay for dad's care?

Answer: No. So long as your mother continues to live in it, the property won't be included in the means-test for care funding. However, half of their joint savings will be. With £20,000 in assets, your father is above the lower capital limit of £18,000 and will be expected to make a contribution of £8 per week.

Question: My widowed father needs to go into care now. He does not qualify for the local authority funded care due to the value of his house, but the property slump means it may take months to sell his bungalow to help with the costs. What can we do?

Answer: The local authority should disregard the property from the cost of care for the first 12 weeks. If your father's other assets are worth less than £28,500 he should be eligible for a Deferred Payment Arrangement (DPA). The DPA can be repaid when the property is sold, or on death. Contact your local authority to find out about his eligibility for a DPA.

Question: Can we put our house in trust* for our children to avoid a forced sale in the event that we need to go into care?

Answer: Putting property into trust for future generations should be approached with extreme caution. Under the means-test your local authority is likely to ask you about your property ownership over some years. If it deems the property was placed in trust deliberately to take it out of the means-test, it is likely to still be included. Plus, with a means-test upper threshold being so low, other assets could disqualify you from support in any case.

* Trusts are not regulated by the Financial Conduct Authority.

Question: My sister and I like the idea of buying a care fees plan to pay for our mother's care bills but are concerned it could be money wasted if she dies soon afterwards?

Answer: Some care plans will automatically return some capital if the person dies in the first six months. After that, you can insure for the return of some capital on death by buying capital protection.

Question: We have sold my father's house to help with his nursing home costs. Are the proceeds still liable to Inheritance Tax.

Answer: If the capital is simply held in his bank account, then it will be included in his estate for Inheritance Tax purposes on death. If the capital is used to purchase an annuity to fund care, it will effectively be out of his estate on death, except to the extent of any capital protection that is brought in which results in funds being returned to his estate.

Question: I want to use income from some of my investments to help pay for my father's care. If he is the beneficiary, who will the income be taxed on?

Answer: If the investments are in your own name, they will continue to be taxed at your rate of Income Tax. It may be possible to set up a trust, naming your father as the beneficiary of income; but this may mean not only losing rights to the assets, but ultimately, increasing his liability to Inheritance Tax, depending on the value of his estate.

Question: Is an annuity-based care fees plan guaranteed to cover care costs?

Answer: No – you will be told the annual income it is guaranteed to pay out, so you can match this against a care home's fees. Should fees rise in the future there may be a shortfall. However, care homes may be open to negotiation, knowing they are assured of the annuity income. Care plans can offer inflation-proofing or annual increases to help address rising fees, so a fee limitation or capping agreement is often possible.

Question: Can income from an annuity-based care fees plan be used to fund care at home.

Answer: Yes – income can be used at any stage to fund either residential or home-based care. Note that, if income is paid directly to a registered care provider, it is tax-free. It is essential, therefore, that the care provider is registered or there will be a liability on the interest element of the income payment.

Question: My mother is quite wealthy. Is her local authority under any obligation to help her find the right type of care?

Answer: Yes – the local authority has a duty to assess her care needs, irrespective of her wealth, and ensure that she has access to suitable care even if she funds it herself.

The levels and bases of taxation and reliefs from taxation can change at any time and are generally dependent on individual circumstances.

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