

The Saga Guide to Paying for Care

SAGA



Welcome

An active and secure retirement is something we like to think we're all entitled to and we find it hard to imagine a time beyond that, when we may need care from other people. What's more, many people do not realise they may need to fund the care themselves.

In this guide, Saga introduces you to the major issues surrounding long-term care and some of the funding options available.

If you need to fund care yourself, the Saga Care Funding Advice Service, provided by HUB Financial Solutions, can help. They will be able to assess your specific situation and explain your options in detail. They can help you make informed decisions that will ensure a happy and secure future for yourself or a loved one.

We hope you find this guide useful.



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The cost of care in the UK

Long-term care has become increasingly costly over recent years. How much is charged depends on the type of care required and where you live.

The maps on pages [5 and 6](#) show examples of the average nursing and residential care home fees in different areas of the UK.

Here's a look at different types of care and typical costs. It may surprise you.

Care at home

Many people prefer to stay living in their own homes and Local Authorities aim to make this as practicable as possible. The cost will depend on a number of factors, including the number of care hours received, whether it is domestic or personal care as well as where you live.

Residential care

Broadly speaking there are two main types of residential care home in the UK – those that generally provide help and assistance with personal (or social) care i.e. washing, dressing, feeding, mobility – and those that provide nursing care. Homes that offer nursing care must employ qualified nursing staff. They also provide higher levels of care assistant staff than homes that provide 'social care' only.

The terms have changed recently. Residential homes are now known as 'care homes with no nursing' and nursing homes are known as 'care homes with nursing'. Nonetheless, most readers will be more familiar with the residential and nursing titles, so we will continue to use those titles for this guide.

Overall, the average weekly fees for older people in private sector care homes (public and private payers combined) across the UK amount to £893 (£46,436 per annum) for nursing care and £651 (£33,852 per annum) for residential care only.* This represents around a 4% increase in cost since 2018 for nursing care and around a 5% increase for residential care.

Nursing care fees

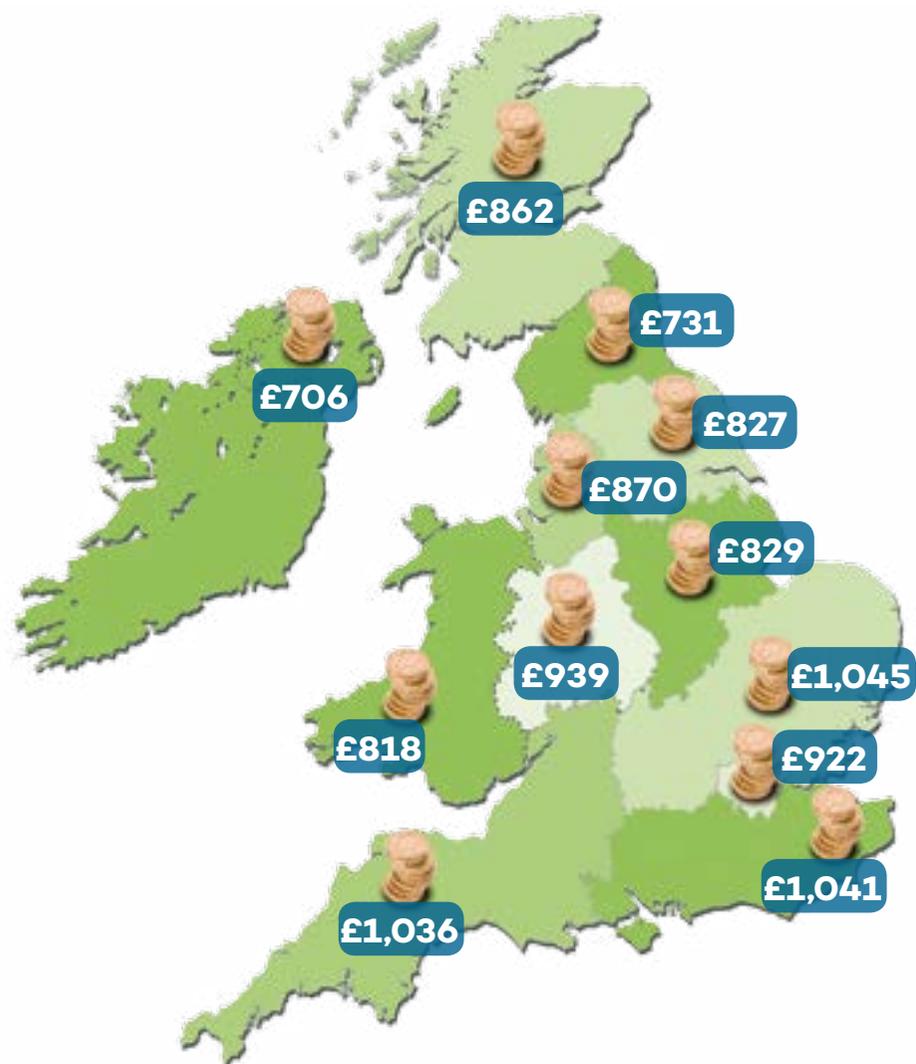
The maps on the following pages show that there is a wide variation in the cost of care across the UK. For example, in the most expensive region of the country, the East of England, average nursing care fees reach £1,045 per week (£54,340 per annum) while in the least expensive region, Northern Ireland, they are just £706 per week (£36,712 per annum).

Residential care fees

Residential care fees are at their highest in the South East, an average of £783 per week (£40,716 per annum), and at their lowest in Northern Ireland, at £539 per week (£28,028 per annum).*

*Cost of care data source: Laing & Buisson Care Homes for Older People: UK Market Report, 30th Ed, 2019.

Nursing care home fees

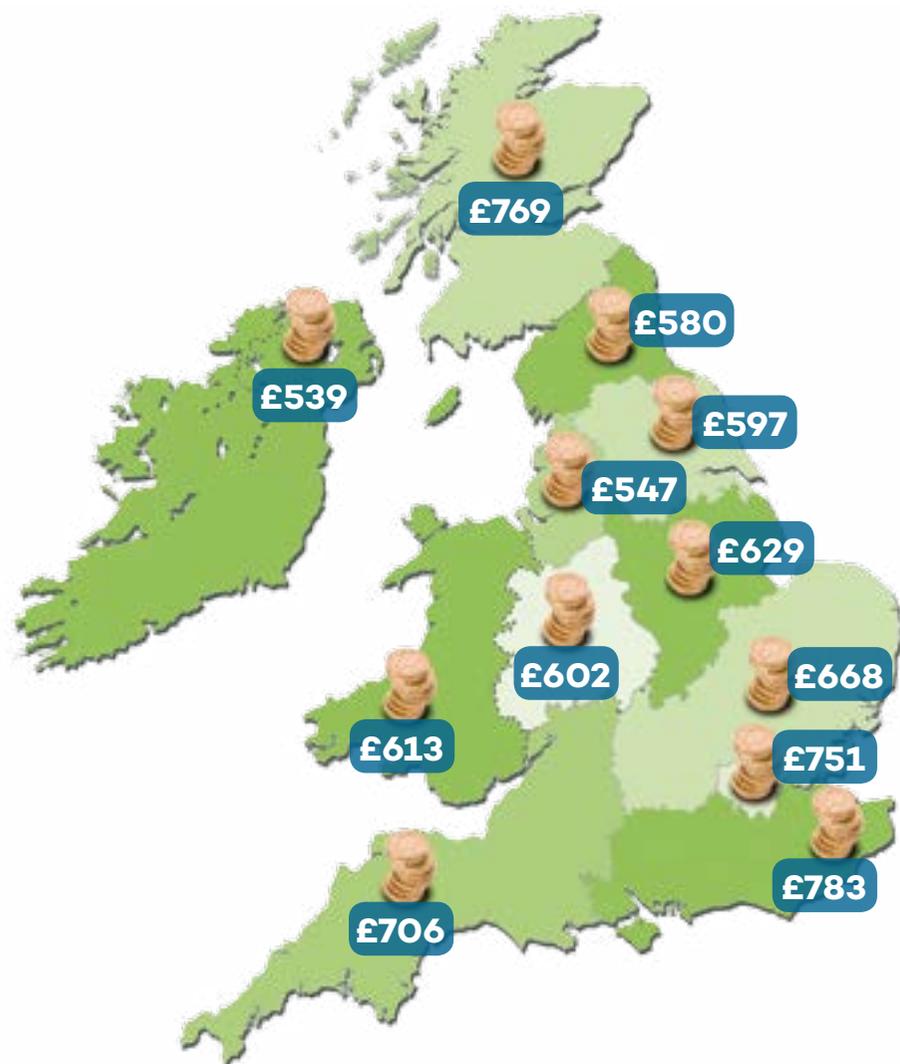


Average fees per week in private sector homes (public and private payers combined) 2018/19*

England	£937
Wales	£818
Scotland	£862
Northern Ireland	£706
United Kingdom total	£893

*Source Laing & Buisson Care Homes for Older People: UK Market Report, 30th Ed, 2019. All figures are weighted average (single and sharing) fees.

Residential care home fees



Average fees per week in private sector homes (public and private payers combined) 2018/19*

England	£655
Wales	£613
Scotland	£769
Northern Ireland	£539
United Kingdom total	£651

*Source Laing & Buisson Care Homes for Older People: UK Market Report, 30th Ed, 2019. All figures are weighted average (single and sharing) fees.

When do you qualify for financial help?

Do you have more than £23,250* in assets or savings?

'Assets' may include the value of your home and any savings. (Do not include your home if it is lived in by your partner; a relative who is over 60 or incapacitated; or a dependent child under 18.)

NO

Ask your Local Authority's Social Services department for an assessment of your care needs.

The Local Authority should pay towards your care costs as long as the care home you choose is able to meet your assessed needs and does not cost more than they would normally pay for such care.

However you are still likely to be expected to contribute from your income. You can opt for a more expensive care home if there is a third party who can top up the Local Authority's funding on a long-term basis. You are not allowed to pay the difference yourself if your assets are below £23,250*.

Seek specialist advice. To make sure you get all the financial help you are entitled to, it is important to take specialist advice.

Visit [saga.co.uk/money/care-funding-advice](https://www.saga.co.uk/money/care-funding-advice) to download our factsheet containing lots of useful information.

YES

Ask your Local Authority's Social Services department for an assessment of your care needs.

If you are assessed as needing care in a care home, the Local Authority may be able to help with some of the costs, otherwise you will need to fund care yourself.

Seek advice. To make sure you get all the financial help you are entitled to and to find out the best way to pay for your care, it is important to take specialist advice. Call the Saga Care Funding Advice Service, provided by HUB Financial Solutions, on 0800 015 0991[†].

Allowances and contributions

Both Attendance Allowance and NHS-funded Nursing Care are available to all eligible claimants regardless of their asset value.

Attendance Allowance is a non-means tested benefit that helps with extra costs if you have a severe disability and need someone to look after you.

Visit www.gov.uk/attendance-allowance to find out more.

NHS-funded Nursing Care is available to people living in care homes with nursing. The contribution is paid direct to the home.

[†]England & Northern Ireland only

When do you have to pay for care?

Many people do not realise that care, in most cases, is not provided free of charge – whether you receive it in your own home or in a care home, one way or another it has to be paid for. With residential care homes often costing in excess of £33,852 a year, and those that provide nursing care being even more expensive at an average of £46,436 a year*, how to pay for care can be a major concern for most people.

Once the fact that you need care has been identified, the question of who should pay for it becomes the next issue. With certain exceptions, in England you usually have to pay all or part of the cost of residential care, and even for care at home. Local Authorities are empowered to assess your financial situation with a means test and, if you have assets over a certain level, will require you to contribute towards the cost.

The means test

Means testing involves assessing the value of your assets, that is your capital, your investments, and your property too (except under certain circumstances, such as your partner still living in it). It is worth taking expert advice if you are told that your property will be included in the means test.

If you are able to pay for your care initially but your money reduces to the means test limit in the future, the Local Authority should start to assist with your fees but they will only pay these up to a certain limit and will expect you to contribute from your income. If your fees are higher and you or a third party are unable to make up any difference, you may not be able to stay in the home of your choice.

Qualifying for financial help

If the total value of your assets exceeds the means test limit, you will usually be required to pay the cost of care yourself. If the value of your assets is below the means test limit, you may be entitled to some financial help from the state towards the cost of your care. For the current means test limit and more information on when the means test may not apply, download a copy of our essential facts factsheet at saga.co.uk/money/care-funding-advice or call **0800 015 0991**[†].

The means test for care at home

Most Local Authorities charge for ‘care at home’ services, but when you are living in your own property its value cannot be included in the means test. They can also be arbitrary in their decisions and charge what they like, but at least this gives them a degree of flexibility regarding individual situations. Ultimately though, they are not allowed to use a charging structure that is more restrictive or stringent than the one used for residential care.

The means test and gifted assets

If you give away some of your assets and then claim state assistance, even some time afterwards, the Local Authority may well interpret this as deliberate ‘self-deprivation of assets’ and conduct the means test as if you still owned them.

*Cost of care data source: Laing & Buisson Care Homes for Older People: UK Market Report, 30th Ed, 2019.

Private funding – how much money do you need and for how long?

Using the 'Additional income calculator' opposite, firstly calculate your annual income and the annual cost of the care you need. The difference between the two is the additional income you need to generate.

Next look at your assets, including your savings and investments, and the equity in your home (its value minus any loans secured against it) if your home is included in the means test. The challenge you face is how best to use those assets to generate the extra income you need for as long as it is required – and how to do so while trying to protect as much of the capital as possible.

Just as everyone's situation is different, there is no 'one-size-fits-all' solution. What is important is to know what the possibilities are, so you can identify those that might be appropriate for you. The Saga Care Funding Advice Service has a team of specialist care funding advisers who would be able to explain the issues in full and discuss the most appropriate options to suit your individual needs.

By completing the form opposite, you can use it as an 'at a glance' guide to the potential additional income required, should you need to speak to an adviser.

Additional income calculator		
	Example	Your details
Annual cost of care	£33,852	£
Personal spending	£2,600	£
Total spending	£36,452	£
Annual income	£20,000	£
Additional income required (shortfall) (Total spending minus Annual income)	£16,452	£
Assets		
Savings/Investments	£15,000	£
Equity in your home	£85,000	£
Total assets	£100,000	£

Your options for paying for care

1. Secure a guaranteed income for life

One of the major problems of funding your own care is that you have no idea for how many years you will have to pay the fees and how much this will ultimately cost. It is possible to remove some of this worry by purchasing a guaranteed income for life via a **Care Fee Annuity**. A Care Fee Annuity can also help to make up the difference if there is a gap between your existing income and the cost of care.

Example:

Cost of care	£33,853pa
Existing income (e.g. total of state pension, attendance allowance and work pension)	£17,000pa
Gap between cost of care and current income	£16,853pa
Lump sum for Care Fee Annuity purchase	£114,892
Guaranteed income for life	£16,853pa

This example is based on the Just Immediate Care Plan as of 11/03/2020 for an 85-year-old with mild dementia whose guaranteed income for life increases in line with the Retail Price Index, with plan protection that includes a repayment of 50% of the policy to the estate if the person dies within the first month and 25% repayment of the plan if the person dies within six months.

In exchange for a lump sum payment, a Care Fee Annuity pays an agreed amount each month for the rest of your life. The income can be paid tax-free directly to

your care provider (so long as they are properly registered), and may be set at a fixed level or increase each year to help combat any future rise in fees.

A Care Fee Annuity can provide peace of mind that income can be secured for life and helps to ensure that not all of your capital is spent on care, perhaps enabling you to leave an inheritance. There are risks, however. Once the annuity is bought, there is no return of capital to your estate on death, and should death occur in the early months very little income would have been received. It is possible to purchase additional protection, which would ensure that some funds were returned on early death.

So how much would a Care Fee Annuity cost? Each plan is individually underwritten and the cost depends on your age and health at the outset, so the next step is to establish exactly how much it would cost in your circumstances.

Further help

The Saga Care Funding Advice Service can discuss this with you without any cost or commitment. Contact the team today to see how suitable this may be in your circumstances, and to begin the process of getting a personalised quotation.

2. Invest for income

If you are fortunate enough to have a relatively large amount of capital compared to your fee requirements, you may be able to invest it for the long term with the aim of receiving returns above that available from a bank.

If the returns produced are the same or more than the amount of income required, you will not only have found the necessary funds but retained the original capital as well. If the returns do not cover the amount required, the capital will need to be used, which will lead to an erosion of capital over time.

This method of funding requires careful structuring, which must aim to give you the best chance of realising the returns you need whilst not exposing you to undue risk and volatility. Investments of this nature are intended to be held for the long term, by which we mean at least five years. **You should always remember that the value of investments, and the income from them, can fall as well as rise.**

3. Deferred Payment Agreement

If the value of your other assets, excluding your property, is less than the means test threshold and you do not want to sell your home to pay for care, your local Social Services department may allow you to defer your payments. Under a Deferred Payment Agreement they would effectively give you a loan towards the cost of your fees, secured against your property and subject to interest and fees. This would enable them to claim back what they are owed from the proceeds of the sale of your home after your lifetime, unless it has been paid back by some other means.

4. Raise capital from your home through an equity release scheme

If you own your home, it may well be that it represents your single largest asset – in which case you could consider using some of its value to raise capital or generate an income. Raising some money through an equity release scheme could be an option if you need to make improvements or adaptations to your home to enable you to remain there longer.

Equity release is not right for everyone. It may affect your entitlement to state benefits and will reduce the value of your estate.

As equity release is a serious decision, taking professional advice and discussing your options with those close to you is essential.

Visit [saga.co.uk/money/equity-release](https://www.saga.co.uk/money/equity-release) for more information.



5. Paying from your own cash savings

A simple option is to pay for your care directly from your cash savings until your assets fall within the means test limit, at which point the Local Authority should help to meet your costs. However, this may not cover the cost of your current care home, and unless a third party can be found to meet the difference, it may be necessary to find a different care home, which is affordable on the Local Authority contributions.

6. Letting your property

If you are not receiving care in your own home, letting your property would generate income that could be put towards meeting care costs. Rental income varies widely depending on size and type of property, geographical location, condition, appeal and overall marketability.

Some options may involve an element of risk and could affect your tax status. However, all of these options will be explained by your adviser.

The Saga Care Funding Advice Service can help

HUB Financial Solutions' specialist care funding advisers can explain the options and make appropriate financial recommendations that meet your individual circumstances and long-term care funding requirements.



Care in Scotland

In Scotland long-term care is funded differently, and personal and nursing care is paid for by the state up to a set limit. Personal care allowance is available to everyone aged 65 and over who needs it, and an allowance for nursing care is available to everyone irrespective of age.

However, you would still be responsible for funding accommodation costs (which are likely to be substantial) and these are subject to a means test.

State benefits

There are a number of state benefits that you may be entitled to including:

- Attendance Allowance
- Disability Living Allowance
- NHS-funded Nursing Care
- 12-week property disregard NHS continuing healthcare.

For more information download our free essential facts factsheet (see saga.co.uk/money/care-funding-advice) or call for a copy on 0800 015 0991[†].

Taking control of the future

There are more than enough issues and worries to concern you when you are making decisions about your care or how you will fund it – so putting your affairs in order for the future may not seem like a high priority. However, if you want to make sure that your financial affairs are managed properly and there is money left for those you want to have it, now is the time to act.

Questions to consider include:

- Do you need to appoint a ‘Lasting Power of Attorney’?
- Have you made a Will?
- Have you planned to reduce any potential Inheritance Tax liability?

The Saga Care Funding Advice Service can help

HUB Financial Solutions’ care funding advisers can explain all the benefits and allowances you might qualify for and how you can apply for them.

If you want to know more...

Care in later life – whether for yourself or for someone else – can appear a complex issue, with many options to consider and concerns to address. The Saga Care Funding Advice Service, provided by HUB Financial Solutions, can help you in the following ways:

- **Highly qualified specialists** – dedicated to providing expert care funding advice.
- **Expert advice** – the solution offered will be one that best suits your individual needs.
- **Free initial consultation** – you only pay for the service if you proceed with a particular recommended solution.
- **No pressure** – ultimately the decisions are all yours, based on informed advice.
- **Ongoing support and advice** – the Saga Care Funding Advice Service will help for as long as you need them.

Contacting the Saga Care Funding Advice Service

Call the customer service team on 0800 015 0991[†] to arrange to speak to an adviser.



More help from Saga

Free long-term care factsheet

Saga Personal Finance has produced a useful factsheet that addresses the important aspects of choosing care.

For your copy of 'Saga Care Funding Advice Service Essential Facts', click on the 'Download our factsheets' button at saga.co.uk/money/care-funding-advice or call 0800 015 0991 to request it by post.

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0800 068 5059

stating reference IN5504

Lines open 8.30am-6pm Monday to Friday. Calls may be recorded.

saga.co.uk/sos-personal-alarm

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What to do next

To arrange to speak to a care funding specialist with no obligation

call today on

0800 015 0991[†]

Lines are open 9am-5pm Monday to Friday.

[†]Calls may be monitored for training and regulatory purposes.

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