

# Shaw Gibbs Financial Planning

Caring about later life advice



# Funding the costs of care fees

Transitions in life can be unsettling and therefore, as an experienced Independent and SOLLA accredited Financial Planner my clients are seeking peace of mind that they are aware of all the processes and bureaucracy that can impact a person's decisions regarding care needs and costs.

The first things to understand are the systems and processes the NHS and Local Authorities are supposed to follow to ensure funding is received where there is an entitlement.

Entitlement is established by a Care Needs Assessment. The NHS are responsible for providing Primary Care which may be in a hospital or perhaps funded by NHS Continuing Health Care if care is provided elsewhere.

In its simplest sense, where there is a need for some Primary Care there may be an entitlement to NHS Funded Health Care.

A 'Social Care Need' is often determined by the ability to carry out activities of daily (ADL's) such as washing, dressing and eating for example. Meeting the cost of care needs in this scenario will either be the responsibility of the individual (aka a self-funder) or, subject to a means test, the responsibility of the Local Authority.

If deemed a self-funder, depending upon the individual circumstances, there may be several options available to you. In reality it is likely to be a combination of several options to meet the cost of care rather than just once source.

For self-funders it is vital that you seek advice from an Accredited SOLLA Independent Financial Planner (IFA), such as myself, who will be able to guide you through the range of options available to your individual circumstances and provide you and your family with a strategy, confidence and peace of mind in the decisions you take.

One of the options available to that self-funders can often be unaware of is a Care Fees Annuity. This could help cap the future cost of care and ensure a legacy can be left whilst also providing significant peace of mind.

*"I have quite a complicated situation, but Nick understood everything, worked out a plan for me which was sensible. Helped me to see what I needed to do and helped me to carry it out. Made very sensible suggestions which helped me to crystallize my situation and helped me to think of things I hadn't thought about. Nick is very easy to talk to and to build a relationship and rapport."*

# Understanding Care Fees Annuities

A Care Fees Annuity (CFA) provides a guaranteed monthly income payment for life to help pay for care fees in exchange for a single premium. The monthly income can be for the entire amount of the care fees or alternatively might be used to fund the gap between current income levels from pensions and savings and the cost of care.

When purchasing a CFA there are also several options to choose from. These include the option to have the payments increase annually to offset the effects of inflation and rising care fees or you may want to keep them level as this will be a cheaper upfront cost. There are also options to protect the initial capital outlay in the event of early death as well as being able to reduce the premium by opting for a deferred period.

To aid your understanding I have listed some of the advantages and disadvantages.

## Advantages

- Peace of mind that a guaranteed payment will be paid for life towards care costs
- Under current legislation there is no tax to pay on the payments if they're paid to a UK registered care provider. However, the rules governing tax may change in the future and could affect your payments.
- Purchasing an income for life with a one off premium can help to protect the remainder of the estate from the longer term risk and liability of erosion of capital
- Flexibility around who the payment is paid to if you change care providers or no longer need care.

## Disadvantages

- You could get back less than you paid in.
- If you no longer require care, or become eligible for NHS funding, you cannot cancel your immediate needs annuity. However, it can instead be paid directly to you, but may be subject to income tax.
- Receiving payments from a Care Fees Annuity may affect your ability to claim means-tested state benefits.

Once you establish a basic understanding of CFAs, without doubt the main concern about buying one is dying too soon and not receiving perceived good value. It is important to understand that there is no 'risk' free option. It just depends on which risk/s you wish to expose yourself to. Will it be the risk of dying too soon or perhaps the risk of living too long. The fact that security is a feeling rather than a number highlights this very point. What is value for one might not be value for another, which is why seeking advice from an Independent and Accredited Solla adviser can be so important.



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Society of Later  
Life Advisers  
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I chose to invest in becoming a SOLLA Accredited Adviser following my own personal experience and bewilderment (despite being a Financial Planner) when my Grandmother needed to go in to a Care Home.

Naturally my family turned to me for support and help which was when I discovered the complexities and nuances that families are faced with when seeking financial security and peace of mind.

I am therefore passionate about personalising and guiding families and individuals to give them a sense of confidence in the decisions they are making about their financial futures.

*"We wanted some financial advice for our elderly parents. I contacted Nick because he was SOLLA accredited and was really glad I did so. He was a good listener, quickly understanding their financial situation and goals, and was able to outline some different possible scenarios and the options available. The result was peace-of-mind for our parents and it also greatly helped our understanding too. We would definitely seek out Nick's advice and help again in the future."*

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