

Expertise

We offer specialist financial advisory services and are qualified to an advanced “diploma” level.

Our specific experience and qualifications cover all areas of long term care funding and IHT planning.

Integrity and trust

We put the person first and provide a caring personal service for our clients’ financial welfare as a result of a thorough understanding of their situation and needs.

Independence

We offer totally independent, fee based financial advisory services. We are not commission based salesmen and are thus free to provide “whole of market” advice free from “commission bias”.

Advice

We can provide a review of your whole situation, ensuring that you claim benefits where they are due and that you make the most of your capital, thus providing peace of mind and security.

Your initial consultation is free and without obligation.



To arrange an initial consultation or for further details please contact:

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Guide to Paying for Nursing Home Care Fees

The burden of paying for care fees is considerable and now represents a real risk to the preservation of your assets. Even when care is affordable residents often have real concerns that their funds could run out, forcing them to leave their chosen home and leaving nothing for the next generation.

This guide is designed to help you to establish your current financial situation and plan for the payment of care fees. It is designed as a basic guide only, to help you with such questions as:

- Will the government help with care costs?
- What are the costs of care?
- Do I have sufficient income?
- Will I need to use capital to pay for care?
- What can I do to protect my capital?
- Will my estate still be liable to inheritance tax on death?
- Could I reduce my inheritance tax liability?

Will the government help with care costs?

If your own personal (non exempt) assets are higher than £21,500 you will normally need to fund your own care. However you should be able to claim an attendance allowance and payment of the “nursing” care element of care costs.

Some assets (including some “bonds” and property in certain situations) may be treated as exempt, also people whose “principle need” is “nursing” or who have been held under the mental health act should not need to pay.

* Source: CRAG (Charging for Residential Accommodation Guide) April 2007

What are the costs of care?

The cost of the care will depend on the level of care needed, the location of the chosen home and the size and quality of the private accommodation and catering. In addition to the cost of the accommodation itself an allowance needs to be made for normal personal expenditure, which will differ greatly from individual to individual.

The chart below is designed to provide both a guide for the basic costs and a template for you to calculate your own surplus or deficit.

Costs of living in care <i>per week</i>	Guide	You
Nursing home (South West)	£621**	£
Personal costs hair/tel/etc	£20	£
Gifts/presents	£5	£
Other costs	£10	£
(A) Total weekly cost	£656	£
(B) Total annual cost (Ax52)	£34,112	£
Personal Income <i>per week</i>		
State pension	£87.30	£
Private pension	£90.00	£
Other (investment)	£20.00	£
Attendance allowance	£64.50	£
(C) Total weekly income	£261.80	£
(D) Total annual income (Cx52)	£13,613	£
Total deficit (surplus) (B-D)	£20,499	£

** Source: Laing & Buisson Care of elderly people survey March 2006 (for profit homes)

Will I need to use my capital to pay for care?

If the table opposite showed a deficit then you are likely to erode capital on an ongoing basis for the remainder of your time in care. The rate of erosion is also likely to increase as savings dwindle and the cost of care increases over time.

What can I do to protect my capital?

A professional review could highlight unclaimed benefits, overpaid tax and underperforming assets.

Having the correct risk profile is important also as your capital may be eroded due to poor investment returns – conversely higher returns may be possible by taking increased risks.

Consider the use of an impaired life annuity – these specially developed investments are designed to provide a guaranteed tax free income for life, paid direct to your carer in return for a one off lump sum. This provides the opportunity to effectively cap the capital cost thus protecting the remaining estate. The annual income is dependent on age & health but is often as high as 25% to 30% of original capital p/a. (See case study for further details.)

Will my estate be liable to inheritance tax?

If your estate when you die is valued at more than the nil rate band of inheritance tax (currently £300,000 or up to £600,000 for a widow(er)) your estate will be liable to inheritance tax at the rate of 40% on any excess above the nil rate band.

Could I reduce my inheritance tax liability?

This is a complex area of financial planning where specialist advice is necessary. With careful planning it is often possible to reduce inheritance tax liabilities quite significantly by the use of various types of investments and/or planning tools such as trusts, deeds of variation and gifts. (See case study for further details)

Case study

Background

We met with Mrs B when she was 87, just after her husband's death and her own dementia led to her needing to move into residential care. Under the terms of Mr B's will, all his estate was to be left to Mrs B giving her a total estate of a little over £360,000 but with an income of around £7,800 less than her care costs. We reviewed the situation highlighting her income deficit and also the inheritance tax liability that would have occurred on her death, calculated to be a little over £50,000 at the time.

Solution

We advised Mrs B's family to:

- Register the power of attorney with the court of protection and apply for the higher level of attendance allowance.
- After obtaining underwritten quotations from all long term care annuity providers in the market, we recommended that £31,513 be invested via a long term care annuity with Norwich Union, providing an immediate tax-free annual income of £7,800 (650 per month) increasing by 5% per annum, paid direct to the care provider.
- Use a deed of variation (and the splitting of the joint tenancy of the property) to alter the provisions of Mr B's will, redirecting £150,000 of personal assets into a discretionary trust and investing these via two investment bonds. The above transaction was approved by the court of protection as it could be demonstrated that Mrs B's own needs had been secured due to the LTC annuity. The trust fund was also maintained to provide additional security for Mrs B.

Results

Sadly Mrs B died in July 2007 having been in care for just under 7 years. At the point of her death the long term care annuity was paying out £10,453 p/a (£871 p/m) and had returned a total of £60,041. Her estate at the time of her death is calculated at £391,608, all without any liability to inheritance tax saving over £36,000 in tax.