

Planning for later life now could save a lot of stress later down the line.

With the Social Care “Green Paper” expected to be published before the end of the summer, we are eagerly awaiting the detail of the Government’s plans to help our ageing population in their time of need.

Going into care is often a worrying and stressful time for all involved. There is the emotional stress for the individual and their family; the practicalities in terms of moving into a care home; and last but not least the financing of the move. We can imagine that even reading and thinking about this now is making you feel uneasy and uncomfortable. Please though, read on, and let’s face up to some of the issues.

Planning in this environment is problematic for those concerned and we often find that we are becoming involved at the point that care is needed. Knowing your options and being prepared before this eventuality can mitigate some of the financial stress. This means that you are able to concentrate on either looking after yourself, if you are the one needing care, or taking care of your loved one.

The first thing we would say is to undertake proper planning either for yourself, or encourage your loved ones to do so. There is a taboo about talking about later life and death. We as a society are increasingly breaking down other areas of taboo and it is right and healthy that we do so. Take a big deep breath and jump in. Taking control of a

situation is a good way to mitigate risks and stress.

Firstly, you should ask someone who has experience in dealing in later life planning. A good starting point would be an accredited member of The Society of Later Life Advisers (SOLLA). SOLLA requires members to demonstrate added expertise in respect of later life planning and we have a specialist SOLLA member at Thomas Miller. Alternatively, you can find an adviser on SOLLA’s website: www.societyoflaterlifeadvisers.co.uk

They will review all of the options based on the individual’s age, health and circumstances. We believe that looking at what you have now and what you might have in the future and then comparing this to the anticipated cost of care home fees is a good indication of whether any financial shortfall might occur. Plans can be made now and if care is needed the finances are, at the very least, known about and, at best, taken care of.

In respect of shortfalls, one of the areas that we do find is little known and, therefore, is not considered enough is an Immediate Needs Care Annuity. Please do not be put off by the clunky and jargon heavy name. Put simply, by paying a lump sum an income is guaranteed for the rest of the individual’s life.

An illustration for a recent client that we advised is outlined below.

- *Shortfall (gap between income and care costs) = £35k p.a.*
- *Cost of an Immediate Needs Care Annuity to cover this shortfall = £150,000*

Financially, the individual’s estate has been reduced. However, in this example the client needs to live just over 2.5 years to effectively get the money back. If the £150,000 had remained in the estate, inheritance tax would be charged at 40% (based on current rates), reducing the value to £90,000.

Please remember that this is an example and an Immediate Needs Care Annuity may not be suitable for your needs. The cost of an annuity will depend on your age, health, income requirements and prevailing annuity rates and the amount of inheritance tax payable will depend on your individual circumstances and may be subject to change in the future.

Of course, the main risk is that your estate and loved ones don’t get any money paid back if you die after paying out the lump sum. This can be covered as some companies will include a capital protection and inflation option, if desired, but these will increase the cost at outset.

That having been said, the annuity provides certainty which also means that the remainder of the estate is less likely to be needed to meet future needs. This can provide greater transparency and certainty for those looking to pass their wealth on to family knowing that the remainder is unlikely to be used for funding.

Even if you finally decide that the above option is not for you, it costs nothing to obtain a quote and we feel that it really is an opportunity that needs to be considered and often is not.

In summary, we would ask you to challenge the taboo of talking and thinking about later life planning. There is much we can do for clients when the need for care arises. It may not be obvious at the time, but, having a plan in place can save a lot of time, effort and stress later down the line.