

The Election and Long Term Care Funding

With all the political claim and counter claim being made at present, I thought it may be timely to look at what is being said about the issue of long term care funding by the main parties in the run up to the election.

Before looking at the parties individually, it should be noted that this issue of funding has been a concern for a few years now – given the problems that so many have today with having to sell their homes and other assets to fund care costs, Tony Blair said at the Labour conference in September 1997:

“I don't want [our children] brought up in a country where the only way pensioners can get long-term care is by selling their home” – thirteen years on and nothing has yet changed!

Labour:

Announced in March they are considering three main areas for potentially raising funds to address the issues of long term care funding:

- A 10% levy to be paid from an estate on death – in addition to inheritance tax, probably based upon the value of the estate on second death.
- Means-tested amounts to be paid across the whole of retirement; or,
- The option of deferring pensions for three years to pay into a new National Care Service.

In return, every person over 65 ‘would be guaranteed a free residential care home place if they needed it and any home help before that is necessary’.

In all three options, the state would provide a basic level of funding, which would be topped up by individuals either paying into an insurance scheme, a compulsory fee or personal contributions.

In addition, it should be noted that no decision will be finally made until at least 2014.

Comment:

Difficult to provide comment when it all seems to be if or maybe. The phrase ‘basic level of funding’ seems to refer to the cost of the residential home (living costs), but not nursing care costs. The ‘death tax’ option would be very unpopular, and if you structure your estate and Wills correctly using Trusts, especially for couples, the value of the estate on second death could be greatly reduced, thereby reducing the tax liability.

Conservatives:

Have said they will introduce a new ‘home protection scheme’ which they say will ‘end the desperate situation whereby tens of thousands of older people are being forced to sell their homes each year to pay for residential care at the end of their lives’.

The published proposals for this scheme suggest a one off payment upon reaching retirement (age 65) of £8,000 per individual (£16,000 per married couple), which would 'guarantee that all fees for permanent residential care would be waived for the rest of their life'. The scheme would also be open to those above the age of 65 for a limited period.

Comment:

Without going into detail about these proposals, the questions/doubts are:

- How many pensioners will have £8,000 or £16,000 for couples to pay into this scheme?
- Without a reasonable take up level, would the scheme work?
- Does 'all fees for permanent residential care' exclude the costs of nursing care etc?
- Will those over the age of 65 be asked to pay a much higher premium, and will this be assessed on health?

Based on these figures, only the wealthy or those with significant pension fund accounts will even be able to consider this option. As it will be voluntary, if you do not take up the option your property and other assets will be at risk.

Liberal Democrats:

We will make a 'universal care payment' based on an individual's need, not their ability to pay, for those aged over 65 who require personal care (such as help with dressing and bathing). Their view is 'this would slash care costs for many people and guarantee a minimum standard of care for those who need it'.

Comment:

It is not clear what form this 'universal care payment' will take due to concerns over affordability. They have attempted to bring the other parties together to agree a way forward but this has failed (so far).

Overall Conclusion:

Having looked at all three proposals as they are, there is clearly no simple answer without a huge funding gap, which would be unacceptable.

Whatever the outcome of the Election, your property and other assets need to be structured and Wills in place to ensure they can at least be partly protected from the threat of potential long term care fees in the future.

Planning in advance and having Assurewills structure a couples Wills correctly with the property held as tenants in common and other assets protected can guarantee protection of at least half of the estate if not more – the cost of this with lasting powers of attorney also included would be well under £1,000. Not a difficult decision given the political proposals which appear to be on the table!