



Association of British Insurers

# A Brief Guide to Long Term Care Insurance

Choosing the right option for you

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## What is long term care?

Long term care is the care and support that you may need in later life due to frailty or disability. This care helps you carry out those normal daily activities which you may have difficulty with such as helping you get out of bed, get dressed or go shopping.

You can receive long term care in your own home or in residential or nursing homes. Regardless of where you receive care, paying for care in old age is a growing issue for many people.

As life expectancy continues to increase, more of us can expect to need some form of long term care. Currently about 20% of men and 30% of women will require long term care at some point in their lives, yet most people do not plan for needing long term care.

The costs involved can be daunting. The average cost of care in a residential home in the UK is approaching £25,000 a year. In a nursing home, if nursing care is also required, this cost rises to nearly £39,000 a year. These are average costs and in many care homes the cost can be more than double these amounts.

Even receiving long term care in your own home can be expensive. Every week around 300,000 households receive nearly four million hours of home help, and people in England spend an estimated £420 million a year on privately paid home care services.

## What help can you receive to help pay for long term care?

The Government does provide some state assistance to help with the costs of long term care. However this assistance is means-tested and you will be assessed on what personal savings, property and other assets you may own. Once this assessment is done, you will be told whether or not you qualify for state support. In many cases, people do not qualify for enough support to cover the full cost of the care they need. Research shows that more than 40% of people going into a residential care home will have to pay all or most of the cost themselves.

In England, if the total value of your assets is less than £14,250, the Government must ensure that your assessed care needs are paid for. However, you will still be expected to contribute all of your available income, less a small amount for personal expenses, towards the cost of long term care.

If your personal assets are more than £23,250, you will normally be expected to pay for the full cost of long term care yourself, although you may still be entitled to some state benefits that are not means-tested.<sup>1</sup>

<sup>1</sup> Please note that different upper and lower capital limits apply in Scotland, Wales and Northern Ireland.

## What insurance solutions are available to help you cover the costs of long term care?

If you don't qualify for state support, the insurance industry offers a range of financial products and solutions to help you fund your long term care needs.<sup>2</sup>

It is difficult to assess how long you will need care for and therefore difficult to understand how much money will be needed. The national average stay in a residential care home is two years but research has shown that people who self-fund can live an average of four years in a care home. One in ten residents live over 8 years in care.

It is important to note that paying for care can be expensive and in some cases people run out of money while still needing care. In this case the Government will take over your long term care needs although your situation may change due to the constraints of Government funding for care. For example you may have to be moved to another residential or nursing home.

We think it critical that you are informed of what private insurance options are available to you. The following insurance products give an idea of the alternative options for funding long term care that are available. Before you decide, we recommend that you see a qualified adviser to get more information. Details of where to get further information are on the back of this booklet.

<sup>2</sup> Please note not all long term care insurance products are the same and you will be assessed on the size and nature of your assets.

### For people in care or needing care now

- **Immediate Care Plans** – pay a guaranteed income for life to help cover the cost of your care fees in exchange for a one-off lump sum payment. These plans give you and your family peace of mind. You can use whatever money or assets you may have left over after taking out the immediate care plan for any purpose – for example, you may want to leave it to your family.
- **Equity Release Plans** – if you own your home, you can secure a loan against your property to release some of its value. The loan can then be used to help pay for care – either for yourself or for a relative needing care. The amount you can borrow will depend on your age and the value of the property. Interest is added to the loan on a monthly basis, and the outstanding balance is repaid when the property is sold or when the person in care passes away.
- **Using Equity Release Plans with Immediate Care Plans** – some insurers will allow you to fund Immediate Care Plans through home equity if you don't have enough cash immediately available. This means money will be loaned from your insurer and used to purchase the Immediate Care Plan. Like an Equity Release plan, the loan plus interest is repayable when the property is sold or when the person in care passes away.

### For retired people not yet needing care

- **Taking advice** – if you are retired, or nearing retirement, it makes good sense to take advice about ensuring your affairs are in order - for example, your will, and perhaps arranging a power of attorney. It also makes sense to ensure your savings, investments and other assets take into account the possibility that you or your partner may need long term care in the future.

### For working people

- **Savings & Investments** – if you are of working age you are in the best position to plan for your future care needs. Remember, one in three people will require care so the chances of you needing long term care are very high, even if it seems a long way off. If you want to plan for meeting the costs of long term care in later life, one option that is available to you is to save as much as you can, while you are earning, through investment plans, savings plans such as deposit accounts, ISAs and National Savings accounts, and your pension. Money from these financial products can all be used to help pay for the cost of long term care.

## The Importance of Seeking Advice

As none of us know, what the future may bring, the ABI strongly advises you to make plans for the possibility of long term care requirements in your old age.

It is worth making preparation for the future now to provide peace of mind in case the need for care arises. Too many people put off planning until it is too late.

If you or a relative are currently considering your options for paying for long term care it is important that you get advice to help you choose the option that is most appropriate to your needs. You should seek help from an adviser who is suitably qualified to advise you on this specialist area. They will assess your situation, taking into account your income, assets and any benefits you are eligible for and will work out the most suitable options for you.

It is also advisable to discuss your options with your family as they may become affected by your choices.

On the back of this booklet you can find some suggestions on where you can get further advice regarding long term care insurance.



## Where can you get financial advice and information on paying for long term care?

### **The Society of Later Life Advisers (SOLLA)**

SOLLA is a 'not for profit organisation' that promotes comprehensive, professional advice for older people and their families and carers. SOLLA's aim is to ensure that consumers are better informed about the financial issues of later life, and can find an Accredited Adviser. All SOLLA members are:

- Specialists in advising older people on financial matters;
- Hold the Later Life Adviser Accreditation (LLAA) which is independently audited and endorsed by the Financial Services Skills Council (FSSC)
- Following a strict code of conduct

You can contact SOLLA on 0845 303 909 or you can search their website for further information on options for long term care at [www.societyoflaterlifeadvisers.co.uk](http://www.societyoflaterlifeadvisers.co.uk). There is also a search facility on their website to help you find a Later Life Adviser in your area.

### **Association of Independent Financial Advisers (AIFA)**

AIFA represents Independent Financial Advisers (IFAs) who can provide you with advice on long term care products and also any other insurance products that you may be interested in.

You can contact AIFA on 020 7628 1287 or you can search their website for further information at [www.aifa.net/](http://www.aifa.net/). AIFA also offers a search facility on their website where you can search for the nearest IFA in your area. Here is the link to their search engine for IFAs – <http://www.aifa.net/consumer-area/ifap.php>.

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