

Care for the elderly

By Bob Wheatcroft, Tax Partner at Armstrong Watson

For many people, one major uncertainty in older life is whether or not it will be necessary to enter a residential or nursing home. These issues are often very difficult to discuss with the family and, as a result, little or no thought is given to the financial impact until very late in the day.

The financial rules which cover funding of the costs are just as complicated as tax rules in their own way and, often, much more expensive than tax in their impact. Generally speaking, this all happens at a time when the individual concerned is ill-placed to deal with these matters themselves.

The rules in England provide for public funding subject to a means test for residential care for those who are assessed as needing it. There is full funding for those with limited income and capital of less than £14,000, no funding for those with capital of more than £23,000 and partial funding of those in between. The position is somewhat different in Scotland where, for instance, it is possible to get help for some of the cost of purely residential care.

In addition, it is possible to get help with the cost of nursing care from the NHS. A nurse from the Primary Care Trust has to make an assessment of need for this to take place.

The bottom line for all of this is that, for those of us who end up paying for our own care, the experience is very expensive indeed and can slash the eventual inheritance for the next generation. It is a bit like a form of Inheritance Tax but with a much lower threshold and a tax rate of 100%!

If you think about the whole thing as a tax then perhaps it is sensible to consider what can be done to reduce the impact. Generally speaking, this means thinking about how your capital can be reduced for the purposes of the means test.

One thing you cannot do, however, is simply to give away assets with the intention of reducing your capital. The rules entitle the local

authority to disregard the gift if you have deliberately deprived yourself of assets for those reasons. In principle there is no time limit to this provision and, if you have previously owned your own home for instance, you can expect the local authority to look at any gift very suspiciously.

Some assets are not counted, however, and it is sometimes possible to take advantage of those provisions to minimise the amount contributed. Examples of this are insurance policies, jewellery and other valuables. Do not think you can just rush out and buy a load of expensive rings or pictures. If the motive is to avoid the means test, then it doesn't work.

More effective strategies need a bit more forward planning. Often this involves the Wills of a married couple being drawn up so that everything does not just pass to the survivor on the first death.

Not a happy subject but the best advice is, as ever, to think ahead.

For further information on how Armstrong Watson can help you, call freephone 0800 195 2161 or email moneymatters@armstrongwatson.co.uk