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PLANNING FOR LATER LIFE

John Hutton-Attenborough, chartered wealth planner at HFS Milbourne, Surrey's leading financial specialists looks at planning for later life...

Financial planning for retirement is often based on 'average' life expectancy – but what exactly is an 'average' lifespan?

We know it's a fluid term which can be influenced by marital status, family history, health and wealth and lots more besides. Here in "affluent" middle England for example, the local population is likely to be on the "above average life expectancy' spectrum which according to the Office for National Statistics (ONS) is 82 for women whilst for men it is 79 years of age.

For anybody retiring in their early sixties then it is necessary to plan potentially for a period of 25 years or more.
Throw into the mix the ongoing uncertainty surrounding the Care Act 2014 and the whole issue of planning for later life becomes more complex.

Changes to the Care Act
To recap we need to reflect on the Care Act 2014, the single largest change to health and social care policy for a generation, bringing together all existing legislation on social care services into a single legal framework.
So far only Part 1 has come into force. The Government announced that Part 2, which amongst other things, proposed a £72,000 cap on care costs and a higher capital limit, has been delayed until 2020 which has prompted concerns that it has been pushed into the long grass for a much longer period.

The implications for those needing care now
Whilst the consultation continues, nothing has really changed. The funding of adult social care remains subject to means testing and the responsibility of the individual until their assets fall below £23,250, whether the care is delivered in their own home or a care home.

In Surrey, someone who is funding their own care would typically be paying between £1000/1500 per week or more. As it stands, once assets drop below the threshold, a family member might find themselves faced with the prospect of finding alternative accommodation which can pose quite a challenge as the impact of moving an elderly relative cannot be underestimated.

Financial options for those in care
It doesn't look like the consultation process will be finalised any time soon and that makes planning for those either in care now or likely to need care in the future vital. In the meantime, conventional means of meeting costs are likely to continue. Options for those already in either a residential or a nursing care home include an Immediate Needs Annuity which secures an income stream for the rest of the individual's life which, as the ONS figures suggest, could be a significant period. The income covers all or part of the care home costs for the life of the individual and is tax free as long as the annuity is paid directly to a registered care provider.

Other options include an equity release scheme such as a lifetime mortgage which can be taken out regardless of the value of other assets an individual may hold. Interest is generally fixed for the term of the loan, and proceeds can be taken out as either a lump sum, or drawn down over time. This could then be used to purchase an Immediate Needs Annuity as detailed above.

Alternatively, with the new freedom arrangements in place, it's possible that a pension scheme could provide a further source of funding for long-term care. There is plenty to ponder and we are talking about quite a complex area compounded by the fact that legislation moving forward is still unclear. As always, if in doubt, seek professional advice, preferably from an accredited member of the Society of Later Life Advisers (SOLLA).

HFS Milbourne Financial Services is authorised and regulated by the Financial Conduct Authority (FCA) and specialises in wealth management, pensions, finance on divorce, mortgages, employee benefits and corporate financial planning.
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