

Later Life Care Planning

What Are Your Options?

Perspective
MANAGING WEALTH

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Planning for Later Life Care



Planning for the possibility of care can bring peace of mind as we age and greater confidence when important decisions need to be made during what can be very stressful times.

For many families, care decisions arise during periods of change and uncertainty, often following a decline in health, mobility or independence. Health changes can be unpredictable and care can become an unexpected outcome.

Each situation brings its own practical and financial considerations. When care is needed unexpectedly, families are often required to make quick decisions while also trying to understand unfamiliar systems, assessments and funding rules.

Understanding how later life care works — including the types of care available, how care needs are assessed and how care is funded — can make this process feel more manageable.

Understanding the Types of Care

Later life care can take different forms depending on a person's health, independence and circumstances.



Domiciliary / Live-in Care

Domiciliary care involves a carer visiting the home to provide support at agreed times. This may include help with personal care, medication, meals or daily tasks.

Live-in care involves a carer living in the home to provide more continuous support. This type of care is often suitable where someone wishes to remain living at home but needs help due to reduced mobility, illness or difficulty managing day-to-day activities independently.

Residential and Nursing Care

Residential and nursing care are both provided within a care home setting. Residential care offers accommodation, meals and personal care, while nursing care is designed for people with more complex health needs and includes care delivered by qualified nursing staff.

Care home support is usually considered when living at home is no longer safe or practical or when care needs cannot be met through home-based support alone.

How Care is Funded in Practice

How care is funded depends first on an individual's care needs and, where applicable, on their financial position. In England, the process usually begins with a care needs assessment to determine the level of support required. This assessment focuses solely on care needs and does not consider income or assets.





Even if you expect to self-fund your care, you are still entitled to request a care needs assessment from your local authority. This helps ensure your needs are properly identified and that any care arranged is appropriate and sufficient.

If a person's needs appear to be primarily health-related and sufficiently complex, the assessment process will include consideration by the NHS to determine eligibility for NHS Continuing Healthcare (CHC). If eligible, the NHS covers the full cost of care. CHC is not means-tested and applies whether care is provided at home or in a care home.

If NHS CHC does not apply, responsibility for funding care falls to the individual or the local authority. In these circumstances, a financial assessment is carried out to determine how much the individual may need to contribute.

In England, individuals with capital above the upper capital limit (currently £23,250) are generally expected to meet the full cost of their care themselves.

The lower limit of capital of £14,250 typically triggers the full support of the Local Authority which may cover all care provision costs. If their capital falls below this threshold, local authority funding will likely be available. In these circumstances, individuals are usually expected to contribute most of their income towards care costs but can retain a small personal allowance.

Certain benefits, such as Attendance Allowance, are typically payable to self-funders but may stop once local authority funding begins.

For individuals living in a nursing home who do not qualify for NHS Continuing Healthcare but require nursing care, NHS-funded Nursing Care may still be available. This is a fixed NHS contribution towards the cost of nursing care and does not cover accommodation or personal care costs, which remain subject to local authority funding rules. In England, the standard rate is £254.06 per week, and the higher rate is £349.50 per week.

How the Financial Assessment Works

Where an individual does not qualify for NHS Continuing Healthcare, the Financial Assessment will determine how care is funded.

Whether a property is included depends on the type of care being provided and who continues to live in the property.

A property is **not included** in the financial assessment where care is provided at home, such as through domiciliary or live-in care.

Where a person moves into permanent residential or nursing care, the property may still be **disregarded** if it continues to be occupied by:

- spouse or civil partner
- partner
- close relative aged 60 or over
- close relative who is incapacitated
- dependent child

If no qualifying person remains living in the property, the value of the home is usually included in the financial assessment and treated as capital. Where a property is included, it is normally disregarded for the first twelve weeks, allowing time to plan without an immediate forced sale. During this period, the local authority may contribute towards care costs, subject to assessment.

If ongoing care is needed after this initial period and the main asset remains the property, a deferred payment arrangement may be available. This allows the local authority to pay some or all of the care fees on the individual's behalf, with the costs recovered later—usually from the eventual sale of the property.

A deferred payment arrangement is effectively a loan secured against the property. It may be suitable where an individual has limited income or savings but owns a property and does not wish to sell it immediately.

Disregarded Assets

The Care Act 2014 sets out the types of assets that may be taken into account in a financial assessment, as well as those that must be disregarded. This is not an exhaustive list, but common examples include:

- the surrender value of certain life insurance policies or annuities
- personal possessions such as jewellery, paintings, or antiques
- funds held in trust following a personal injury payment



Ways to Fund Care

Where care is not fully funded by the NHS or the local authority, individuals and families will need to consider how care costs are met. The most appropriate approach will depend on personal circumstances, available assets and the nature and duration of care required.

In practice, care costs are commonly funded using one or more of the following:

- Income and benefits
- Savings and investments
- Lifetime mortgages, where private care is desired, but the home cannot be sold because a spouse or partner continues to live there
- Care plans (also known as care annuities), which provide a guaranteed income to help meet care costs in exchange for an upfront lump sum

These options may be used individually or in combination, depending on individual circumstances.

Care Plans (Care Annuities)

Care plans (also known as care annuities) are specialist products used when care is already needed and there is a shortfall between the cost of care and the income available. This shortfall is often referred to as the funding gap.

A care plan works by exchanging a lump sum for a guaranteed income, paid for life and designed to meet some or all of that funding gap. The income is usually paid tax-free directly to the care provider and continues regardless of how long care is required.

Care plans can be structured in two ways, depending on when you would like the income to start.

All care plans are medically underwritten and their cost depends on health, life expectancy and care needs. They are not suitable in all circumstances and involve a trade-off between cost and certainty. Specialist advice is essential to assess whether a care plan is appropriate and, if so, how it should be structured.



> *Care plans can be structured in two ways, depending on when you would like the income to start.*

Immediate Care Plans

An immediate care plan provides a guaranteed income that starts straight away, usually paid directly to the care provider.

Why this can work well

- Provides a guaranteed income for life to meet the funding gap
- Income can be set to increase in line with care costs
- Optional capital protection may return some of the original lump sum to the estate if death occurs earlier than expected
- Reduces ongoing administration, with payments made automatically
- Can help protect remaining assets from being fully eroded

Things to think carefully about

- A significant lump sum is required upfront
- Once in place, the capital used cannot be accessed again
- If care is only needed for a short period, value may be limited if capital protection was not selected at the outset.

Immediate care plans are typically considered where long-term certainty is a priority.

Deferred Care Plans

A deferred care plan also provides a guaranteed income for life, but the income starts after an agreed period (between 1-5 years). Care costs are met from income or savings in the meantime.

Why this can work well

- Lower upfront cost than an immediate plan
- Allows existing income or assets to be used first
- Provides reassurance that longer-term care costs will be supported
- Can suit situations where care costs are manageable in the early years

Things to think carefully about

- Care costs must be met in full during the deferment period
- If care needs increase sooner than expected, funding pressure can arise
- The decision is still largely irreversible once the plan is set up

Deferred care plans are often used where there is capacity to fund costs in the short term and a desire to secure certainty later on.

Managing Money in Later Life



Managing money in later life is often less about maximising returns and more about maintaining control, simplicity and flexibility, particularly where health or care needs may change.



Practical Considerations

In the context of later life and care planning, this may include:

- ensuring income is paid into accessible accounts
- simplifying bank accounts and investments where appropriate
- setting up direct debits for regular expenses, including care fees
- keeping clear records of accounts, policies and gifts

These steps can reduce day-to-day administration and make it easier for family members or attorneys to assist when required.

If mental capacity is lost, managing finances can become more complex. Having arrangements in place in advance — such as a Property and Financial Affairs LPA — can help ensure that money continues to be managed smoothly, without delays or additional stress.

> *"As circumstances evolve, it can be helpful to review how finances are organised to ensure bills can be paid easily, care costs can be met without disruption and trusted individuals can step in if needed."*

Where no arrangements exist, families may face practical difficulties accessing funds or paying care costs, even where money is available.

Later life financial management is about striking a balance between:

- having enough accessible cash to meet ongoing needs
- ensuring longer-term assets are used appropriately
- avoiding unnecessary complexity

Regular reviews can help ensure that financial arrangements continue to reflect current needs and priorities, particularly if care requirements change over time.



Lasting Powers of Attorney (LPA)

A Lasting Power of Attorney (LPA) allows someone you trust to make decisions on your behalf if you are unable to do so yourself. In the context of later life care, LPAs are essential for ensuring decisions can be made promptly and without unnecessary difficulty at a time when circumstances may change quickly.

Without LPAs in place, family members may not have the legal authority to manage finances or make care decisions, even where this feels obvious. This can lead to delays in paying care fees, difficulties dealing with care providers and the need to apply to the Court of Protection, which comes with its own legal fees, often thousands of pounds.

Types of LPA

There are two types of LPA, each covering different decisions:

Property and Financial Affairs LPA

Allows an attorney to manage finances, including paying care fees, dealing with bank accounts and investments and handling property matters. This LPA can be used with permission while capacity remains, or automatically if capacity is lost.

Health and Welfare LPA

Allows an attorney to make decisions about care, treatment and where care is provided, but only if mental capacity has been lost.

Both LPAs must be set up while capacity remains and registered with the Office of the Public Guardian before they can be used.

Why LPAs Are Particularly Important for Care

- Care decisions often need to be made quickly
- Fees and bills still need to be paid even if capacity is lost
- Care providers and financial institutions require legal authority

LPAs can reduce stress and ease the financial and administrative burden on families

Common Misconceptions

"My family can automatically act for me."

They cannot without an LPA or court appointment.

"A joint bank account is enough."

This does not give authority to make wider financial or care decisions. Also, in the event of one person losing mental capacity, the provider may freeze the account if both signatories are needed or may restrict to essential purchases only.

"LPAs can be set up later if needed."

LPAs must be created while mental capacity remains.

"An LPA gives my family complete control and they could misuse it."

Attorneys must act in your best interests, keep records and follow strict legal duties. The Office of the Public Guardian supervises attorneys and can investigate concerns. Safeguards can also be built in, such as appointing more than one attorney or requiring attorneys to act jointly.

"Without LPAs in place, family members may not have the legal authority to manage finances or make care decisions, even where this feels obvious."

Gifting & The Deprivation of Assets



Where there is a possibility that local authority funding may be required to meet care costs, either immediately or in the future, it is important to understand how gifting is treated under care funding rules.

What Is Deprivation of Assets?

When assessing eligibility for local authority funding, the local authority may consider whether assets have been deliberately reduced to avoid paying care costs. This is known as deprivation of assets.

This can include:

- gifting money or investments
- transferring ownership of property
- selling assets for less than their market value
- moving funds into disregarded assets

How Gifting Is Assessed

When reviewing past gifting, the local authority may look at:

- when the gift was made
- whether care needs were foreseeable at the time
- whether avoiding care costs appears to have been a significant factor

If a gift is treated as deprivation of assets, the local authority may still assess the individual as owning the asset and, in some cases, may also seek to recover costs from the person who received the gift.

As a result, where local authority funding may be required, gifting without understanding these rules can lead to:

- unexpected funding decisions
- delays in arranging or funding care
- additional stress and expense for families

Common Misconceptions

"There is a seven-year rule for care."

This applies to inheritance tax, not care funding.

"Gifts made years ago can't be challenged."

Timing alone is not decisive; intention is key.

"The council will only look at recent gifts."

There is no automatic cut-off period.

Gifting and Inheritance Tax

Inheritance tax rules are separate from care funding rules. Many gifts are treated as potentially exempt transfers (PETs) for IHT purposes and may be included in the estate if death occurs within seven years.

Each individual has an annual IHT gifting allowance of £3,000. Gifts within this allowance are immediately outside of the estate for IHT. Small gifts of up to £250 per person per tax year, and certain gifts made out of surplus income, may also be exempt.

A gift may be exempt for IHT but still be treated as deprivation of assets for care funding purposes.

The rules surrounding inheritance and gifting can be complex and ever-changing. Seeking advice from a later-life care specialist early on allows you to navigate these complexities with confidence, make the most of available allowances and ensure your plans reflect your wishes. Taking action sooner provides reassurance and greater control over your legacy.

You can be confident in the advice you will receive, as all advice is provided by CF8 qualified advisers who adhere to robust professional standards and best practice. CF8 is a specialist qualification focused on long-term care and later life planning, ensuring advice is tailored, compliant and designed to support informed decisions at every stage.



£3,000

annual IHT gifting allowance per person.

£250

annual small gifting allowance per person.



Summary

If you would like to discuss your circumstances or explore how later life care planning could fit into your wider financial planning, we would be happy to help. An initial conversation can provide clarity and identify whether we can help you and your family.

How we can help

Later life care decisions often involve complex financial, legal and practical considerations. Whether care is needed now or you are planning ahead, the right support can improve clarity and help reduce anxiety around what can be a confusing process.

Our role is to help you and your family understand your options and make informed decisions based on your circumstances and priorities.

Planning Ahead

For those planning ahead, support may focus on arranging or managing your assets in a way that could help meet future care needs, while retaining your current lifestyle, flexibility and control.

Planning ahead means:

- Understanding how care is funded and how assets may be treated
- Reviewing income, savings, investments and property in the context of potential care
- Considering how future care costs might be met if circumstances change
- Putting Lasting Powers of Attorney in place
- Integrating care planning with wider financial and estate planning

Planning ahead helps ensure decisions are made on your terms, not left to others to speculate.

Support for Current or Immediate Care Fees Planning

For those facing care decisions now, support is often more targeted and time-sensitive.

This may include:

- Reviewing how care costs can be met in the short and longer term
- Considering funding options where care costs exceed available income
- Providing specialist advice on care plans or care annuities and lifetime mortgages, where appropriate

Our focus is on helping you and your family make decisions quickly and confidently, while ensuring that longer-term implications are properly considered.

A Joined-Up Approach

Care planning rarely sits in isolation. Whether planning ahead or dealing with immediate care needs, decisions about care funding often affect income, property and wider family arrangements.

Our approach is to look at the full picture, ensuring that care decisions are aligned with your broader financial planning and personal objectives.

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