

# Care Fees Plans

If you are funding care fees or are acting on behalf of a loved one you may be concerned as to what would happen if the cash runs out. A solution for many is to consider a care fees plan. These may also be referred to as immediate care plans, or immediate care annuities.

These plans are an annuity contract, so are an insurance policy that provides an income for a lump sum payment. When being used to fund care fees they are designed to guarantee to pay your care fees.

A major advantage is that these are tax free if the fees are being paid directly to the provider and this could also be useful for reducing inheritance tax. You can only purchase a care fees plan when care is required, so not in advance of. It is usual for people to look at this as an option in the first few weeks of moving into care

## *So how much do they cost?*

The cost is calculated individually based on age, state of health (no medical is required) and the monthly funds you require. So there is no set answer to the question. You may also wish to look at paying any existing income such as a pension or attendance allowance to the provider, this will help to keep the costs lower. In summary the shorter the life expectancy the cheaper the plan will be. An additional cost can be added for capital protection; this would allow your family to get some of the costs of the plan back if you were to die early.

You could also consider a deferred option meaning you delay the start of receiving income from the plan till a later date.

The more delay, the lower the cost, a good thing to do is to compare both options and consider which is best for you.

## *Is it right for me?*

If you have a large estate, a plan could be a very effective way to reduce inheritance tax, or for smaller estates it could ensure you do not run capital down to the threshold level. Either way it can give reassurance of capping the cost of your care.

There are circumstances where you would not choose this option such as: you think that NHS continuing care would be a likely entitlement, care may be only temporary, or you want to get money back in the future.

## *There are risks to consider*

Once you have chosen a care plan there is no changing your mind once in place, so fully consider all alternatives and providers prior to making a decision. Make sure you fully consider this against making payments from a house sale for example, where there is no risk if you were to die early.



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