

THE NOT SO AFFORDABLE CARE ACT 2014

The recent Care Act 2014 – dubbed the “Affordable Care Act 2014” – hit the headlines for capping care fees at £72,000. But scratch below the surface and you could end up paying five times that amount, with those in the South West being hit harder than most.

Pensioners and their families who are expecting to benefit from the Governments cap on fees are in for a shock, as research warns that most will pay double the proposed £72,000. This is because many care costs are not included in the calculations, meaning that, on average, people are expected to spend around £140,000 before the cap is reached.

There are three types of care costs to be considered; daily living costs ('hotel costs'), local authority 'set care costs' and top-up care costs (costs in excess of what the local authority is prepared to pay). The cap only applies to the local authority's 'set care costs', meaning that for the majority of individuals entering care, there is a very low chance of the cap being reached.

To put this into context analysis from the Institute and Faculty of Actuaries (IFoA) suggests that just 1 in 13 men and 1 in 7 women entering care are likely to reach the cap.

Here in the South West the cost of care is relatively expensive, when compared to national figures – being lower only than London and the South East. This relative expense means that people paying for their own care here in the South West should reach the cap sooner than other regions (around four years), incurring a personal cost of around £120,000.

Once the cap is reached, other costs still need to be paid. Analysis estimates that in the South West the costs over a 10 year period could be in excess of £300,000.

Summary

The cap is due to come into force in April 2016 and is not as straightforward as it first sounds. There are many details still to be finalised in the regulations, so it could be some time before the full implications are known.

What we do know, however, is the cost of care can affect us all – whatever our age. With an estimated increase in the over 65's of 50% in the next 20 years, and a doubling of those aged over 85, this is an area of financial planning that will affect more families in the near future.

Albert Goodman Chartered Financial Planners have considerable experience and expertise in advising elderly and vulnerable clients either directly, or in partnership with their families and professional advisers, including deputies and attorneys, in the specialist areas of care fees funding, assessment of continuing NHS care and capital and asset protection.



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