



CARE HOME FEES ARE RISING

HAVE YOU MADE A PLAN?

The importance of saving for retirement is shouted from the treetops – but a topic that gets less attention is paying for long-term care in old age.

It's impossible to predict what kind of care you might need in later years – if any at all. But we will certainly all need it in some form, from an hour's assistance at home every day to full-time residential nursing care.

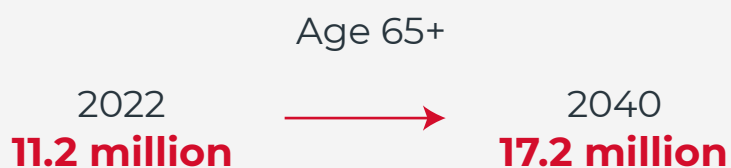
It's safe to say that residential care costs routinely take people by surprise.

The Office for National Statistics (ONS) recently launched a new shopping prices comparison tool¹ showing inflation for 450 individual items, including nursing home inflation.

It showed care homes cost an average of £1,176 per week or £61,152 per year, almost twice as much as the average salary before tax and up 10% from last year.

The number of people needing care in later life is likely to rise with the growing number of "older" old people.

The International Longevity Centre estimates that the number of people aged 65 and over is set to increase from 11.2 million in 2022 to a staggering 17.2 million in 2040².



That's worth thinking about when it comes to financial planning.



PAYING FOR CARE

Care costs are paid for either by you – known as self-funding – local authority or NHS funding.

The government support on offer is reserved for those with total capital assets worth less than £23,250 in England – though it will rise to £100,000 in October 2025³. The threshold is £50,000⁴ in Wales and £32,750⁵ in Scotland.

The cost of care can run into hundreds of thousands of pounds. However, a government plan is to introduce a lifetime cap on care costs of £86,000 from October 2025⁶. It's important to note that this cap would only cover care costs, not expenses like accommodation, utility bills, or entertainment. So, even when the government implements the cap, you may still face a bill that exceeds this limit from a care home.

Whilst it's important for everyone to consider making provisions for long-term care, the number of women that have considered doing so is alarmingly low.

Fidelity's latest Women and Money research⁷ found that just 5% of women have a financial plan in place to help them cover the cost of care later in life, while over 18 million (69%) of women have not considered this at all.

Worryingly, one in four (24%) women aged 55 and over - equivalent to 2.6 million approaching retirement don't think they'll be able to afford their later life care needs.

MAKE A FINANCIAL PLAN

Having a pot of money for care needs is sensible to reduce the risk of facing unexpected bills when you won't want added stress.

Without knowing what level of care you'll need, there's no specific amount that you should set aside. The best way to cover these expenses is to save regularly - whatever you can afford.

A financial adviser can help you make a plan to provide for long-term care costs and take the uncertainty out of the situation, should it arise.

If you don't end up needing to pay for care, then your savings can be passed on to the family as inheritance.

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¹https://www.ons.gov.uk/economy/inflationandpriceindices/articles/exploringhowtheaveragepriceofindividualitemshaschangedinthelastyear/2023_05_03

²<https://ilcuk.org.uk/wp-content/uploads/2022/11/ILC-FP-Retirement-RPT.pdf>

³<https://www.nhs.uk/conditions/social-care-and-support-guide/money-work-and-benefits/paying-for-your-own-care-self-funding/>

⁴<https://gov.wales/charging-social-care>

⁵<https://careinfoscotland.scot/topics/care-homes/paying-care-home-fees/capital-limits/>

⁶<https://www.investorchronicle.co.uk/ideas/2023/05/17/how-much-you-will-need-to-pay-for-care/>

⁷<https://www.fidelity.co.uk/markets-insights/personal-finance/women-money/saving-for-long-term-care-essential-not-optional/>