

Fee Payment Plans

These are specifically designed for people who need care. Similar to an annuity, they deliver a regular guaranteed tax-free income higher than can normally be achieved from traditional investments or annuities. Normally requiring just part of one's capital to purchase, they are a way of meeting care costs whilst potentially capping the cost of care.

Therefore, the more impaired the life the lower the cost. There are only a few companies that offer this product and their actuarial view of life expectancy can be quite varied consequently so can the plans price. To combat this and obtain the best possible price for clients NHFA uses a common application form and health questionnaire submitted to all companies. **Saving time and energy in obtaining peace of mind.**

Some Facts about Care Fee Payment Plans

- _ Unlike ordinary annuities, terms are only marginally affected by interest rates.
- _ Prices can vary significantly through different actuarial interpretation of life expectancy.
- _ For a reduced cost, Deferred Care Plans can be purchased which begin payments from 2 years of purchase.
- _ Payments can be made tax-free direct to the care provider.
- _ Plans can be used to pay for care at home
- _ Care Fee Payment Plans can provide the certainty of a rising income for as long as a person needs care.
- _ Capital protection can be included for an extra cost.
- _ No medical is required. Underwriting is usually based on a GP report or care home's medical assessment.
- _ NHFA's common application form ensures that All providers can potentially offer terms thereby identifying the lowest priced plan available.

There are different types of payment plans which suit different types of people. The NHFA can advise you further on these but view any of the case studies to find out more:

- Immediate Care Plan and Investments – Gordon
- Deferred Care Plan – Delia
- Care Plan and Investments – Mable

Immediate Care Plan and Investments - Gordon

Gordon, aged 95 had become very frail following a heart attack and stroke in March 2003 and needed to move into a care home. In May 2003 his daughter Maureen, who had lived in Australia since the mid 60's, flew home to make the necessary arrangements. She only had 3 months in which to organise everything and then could only visit once a year so she needed someone here who she felt comfortable with to help her look after her father's affairs.

Sample Immediate Need Care Plan Prices			
Gender (M or F)	M	F	F
Date of Birth	5/1/13	23/2/10	22/1/20
Plan Income PCM (£) increasing at 5% pa	1850	2640	980
Health Impairment	Heart	Stroke	Dementia & Stroke
ADL Failures 4= Major assistance, 1= Independent			
Dressing	2	4	4
Bathing	1	4	4
Feeding	4	2	3
Toileting	2	4	4
Mobility	3	4	3
Cognitive Ability	Y	N	Y
Company Offers - Income escalating @ 5% PA compound (£)			
AXA PPP	77135	105661	43536
PA	72843	104651	58783
LV	86063	94152	80523

These figures will vary according to individual circumstances. Source: Insurance company quotes, compiled by NHFA in January 2008

She contacted several organisations but felt NHFA was the most appropriate to assist her and a meeting with the Adviser local to her father was arranged.

Gordon was receiving a State pension and higher rate Attendance Allowance together adding up to £585 per month. The fees for the care home they chose were £2,167 per month and they decided he would need a further £65 to cover his few personal expenses. The shortfall in income was therefore £1,647 per month. Gordon had savings of £69,000 and a property worth £200,000 therefore he could expect no funding from his local authority.

Taking the worry out of paying for care

Maureen had no idea how the care system operated in the UK or what financial products were available and therefore needed very careful guidance to enable her to fully understand her father's situation.

Gordon's local NHFA Adviser prepared a detailed report clearly illustrating his options for meeting his care costs over the long-term. After Gordon and Maureen had considered this they decided to proceed with an Immediate Care Fee Plan.

Detail: By using just part of his capital £39,297, provided £1,647 income per month increasing by 5% per annum compound to meet the income shortfall required. Gordon and Maureen chose to invest the remaining capital of £205,000, generated from the sale of his property, in a portfolio of bonds avoiding equities and spread across cautious funds including commercial property, gilts and corporate bonds and retained the balance on deposit for contingencies. At this stage the NHFA Adviser met with her father and the Care Home owner so, in Maureen's absence, they had a contact they knew and could relate to.

Maureen completed all the business dealings just before she was due to return to Australia. Since then she has visited at least annually and met with her father's Adviser to review his affairs.

Maureen can continue with her life in Australia with the peace of mind knowing that her father is being cared for and his finances are under control. Up to April 2007 the care plan, which cost £39,297 had paid out £80,040 and the original investments of £205,000 continued to benefit from growth thus, together with the monies retained on deposit, potentially regenerating his Estate to the amount that Gordon had wished to leave for Maureen.

Deferred Care Plan - Delia

Delia was diagnosed with dementia in 1998, five years on her health had deteriorated to a point where she was unable to care for herself properly at home. In January 2003, at which point it had become apparent that Delia would need to move into care, her son in-law, Graham, contacted NHFA for advice.

Delia moved into residential care in July 2003, but her property remained unsold at this time. The residential home cost £2,708 per month and with an income of only £1,038 per month, consisting of pensions and lower rate attendance allowance, this left Delia with a shortfall of £1,670 per month. By January 2004, Delia's property had sold and her deteriorating health now meant that she was entitled to claim higher rate attendance allowance, reducing her monthly shortfall to £1,589 per month.

Taking the worry out of paying for care

After discussing the options available to meet Delia's care costs with their NHFA adviser, Graham decided that a Deferred Care Plan best suited Delia's needs. Their NHFA adviser had already applied for quotes regarding this option whilst the property was still on the market. Although Delia's shortfall had reduced since the original quotes were received, Graham made the decision to leave the figures as they were so it would help to counter balance future inflation.

Detail: The selected Plan had a one off cost of £55,258, some £10,000 cheaper than a quote provided by another insurance company. For this one off fee, the Plan would provide monthly payments of £1,648 commencing after the specified deferred period, in this case 24 months.

The payments will be made tax free* directly to the care provider for the rest of Delia's life and will increase by 5% per annum. As with many cases, purchasing a Deferred Care Plan meant that Delia had funds remaining. These funds were placed in a deposit account which would initially meet her residential care costs until the Deferred Care Plan started to make payments in 24 months time.

By March 2008, the Deferred Care Plan, which had cost £55,258, had already paid over £50,000 to the care provider.

Although Graham decided not to purchase capital protection for the Deferred Care Plan, which means that there will be no return of capital upon Delia's death, he was happy that her care fees would be met for the rest of her life.

** If payments are made directly to the care provider they can be made tax-free.*

Care Plan and Investments - Mabel

Mabel aged 84 had suffered from Dementia for a number of years, during which time her husband had been her primary carer. On his death, the extent of Mabel's confusion, which was compounded by her macular degeneration, became apparent to the rest of the family. As she was unable to cope at home and a danger to herself, the family arranged a trial period in a Care Home.

Worried about the cost, they were at a loss to know where to turn until March 2004 when they contacted NHFA Care Fees Advice and were immediately put in touch with their local Adviser who saw them within days.

Mabel owned her own home and had a small amount of capital, in total about £140,000. She received a State Pension, a small Occupational Pension and, at that time, lower rate Attendance Allowance. She also had an income of about £250 per month from a family trust. There was a shortfall between the cost of her care and income of just under £550 per month.

Taking the worry out of paying for care

Mabel's Adviser immediately recommended that the family claim higher rate Attendance Allowance, immediately reducing the shortfall. He then provided a comprehensive report showing the family a range of options for the funding of Mabel's care showing the potential financial consequences of each.

The option the family preferred was to use an Immediate Needs Care Fee Payment Plan to fund the shortfall, while investing the balance of her funds in a combination of a high interest deposit account, to provide spending money and to cover contingencies, and longer term investments structured for capital growth.

Detail: These incorporated guaranteed death benefits, to guard against adverse short-term fluctuations in the investments. One of the family's major concerns was that they were a long living family and that, apart from the dementia; Mabel was very fit for her age.

Mabel's Adviser, having obtained quotations from all of the Care Plan providers showed the most economic single premium to generate the required extra income of £550 per month, to include spending money for Mabel, would be £40,077. This left £20,000 to be kept on deposit to cover contingencies and any other needs Mabel had including birthday and Christmas presents that the family knew she would want to give; £40,000 for investment into a Commercial Property Fund and £30,000 into a Cautiously Managed Fund, both with death benefit guarantees.

Three years later, the Care plan has provided £21,093 in income and the investments have participated in growth.

Mabel, though increasingly confused, continues to enjoy good health. Her family are delighted that Mum's care fees are being covered, that she will be able to stay in the home which she knows and feels secure in and that, when the inevitable happens, subject to investment performance, there will be a significant Estate from which they and their children will benefit.